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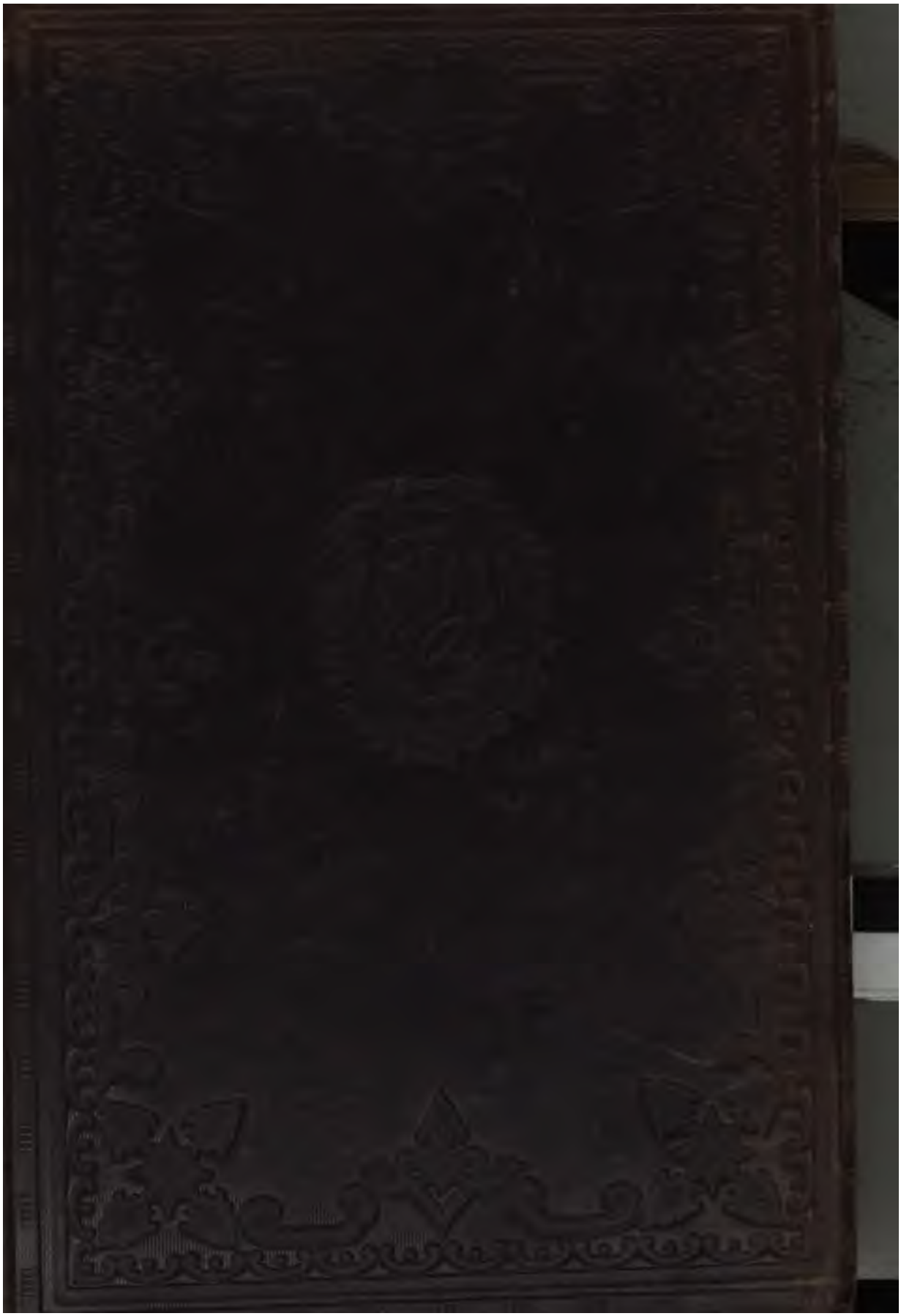

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NATIONAL SYSTEM

OF

POLITICAL ECONOMY.

BY

FREDERICK LIST.

TRANSLATED FROM THE GERMAN

BY

G. A. MATILE,

DOCTOR OF CIVIL LAW; LATE PROFESSOR OF LAW AT NEUFCHATEL; MEMBER OF THE AMERICAN PHILOSOPHICAL SOCIETY, ETC.

INCLUDING THE NOTES OF THE FRENCH TRANSLATION,

BY

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WITH A

Preliminary Essay and Notes,

BY

STEPHEN COLWELL.

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PREFACE

TO THE AMERICAN EDITION.

(BY THE TRANSLATOR.)

FREDERICK LIST* was born, the 6th August, 1789, at Reutlingen, a free city of Suabia. His early education was incomplete. At the Classical School he exhibited so little taste for its studies, that his father withdrew him; but as he showed equal indisposition to learn his father's business, he was subsequently left to shape his own education. This he did, however, to such purpose, that we find him, in 1816, holding an appointment in the Central Administration of Wurtemberg, in which he justified the confidence placed in him by a distinguished statesman, the Minister Wangenheim, who offered his young assistant, in the following year, the chair of Political Economy, in the University of Tübingen. List accepted this position.

He tells us in the Preface to his National System, that the principle of free trade was one of the first encountered in his new career. "It seemed to me at first reasonable; but gradually I satisfied myself that the whole doctrine was applicable and sound only when adopted by all nations. Thus I was led to the idea of nationality; I found that the theorists kept always in view mankind and man, never separate nations. It became then obvious to me, that between two advanced countries, a free competition must necessarily be advantageous to both, if they were upon the same level of industrial progress; and that a nation,

* The sources of this biography are — 1st. List's life, by Professor Häusser, of Heidelberg, who was commissioned by our Author's family with the collection and publication of List's works, and who has fulfilled his task with zeal and talent. 2d. List's biography, written by his French translator, Henry Richelot. 3d. The article in the *Dictionnaire de l'Economie Politique*, (Paris, 1853). 4th. The National System itself. 5th. We have made free use of the Author's Preface, which is therefore omitted in the translation.

I cannot omit here to express my obligations, in all that concerns this publication, to Stephen Colwell, who has so kindly consented to be its Editor, and to point out some of my errors in a language with which I am yet far from being

unhappily far behind as to industry, commerce and navigation, and which possessed all the material and moral resources for its development, must above every thing put forth all its strength to sustain a struggle with nations already in advance."

In his chair, as well as in the periodicals, he advocated political reforms designed to promote the welfare of his country; but in his earnest advocacy, he failed to preserve a desirable caution and prudence; hence, he was soon exposed to persecutions, the result of which rendered him restless and unhappy. This condition accompanied him almost all his life; he had in many respects outstripped his age, and conscious of his genius, he could not easily bear to be trammelled in the range of his ideas. The reader of his book must be struck with his rapidity of thought, and the sagacity of his views.

Whilst in Tübingen, he conceived the idea of establishing an association of merchants and manufacturers, the aim of which was to obtain the suppression of customs on the interior boundaries of the German States; then, by the aid of a common system of customs on the exterior frontiers of Germany, to attain the same industrial and commercial development which other nations had succeeded in obtaining by their commercial policy.

A change in the ministry, by which his friends ceased to be in power, induced him to tender his resignation as a professor. He withdrew to private life, and devoted his leisure to various literary works, especially to an annotated translation of J. B. Say's Political Economy. Important events induced him to hasten from these labors to Paris. There, in 1823, he became acquainted with Lafayette, who offered to take him to America and to befriend him. The love of List for his country prevented him at that time from accepting a proposition so flattering; but when he found that he could no longer be of any service to it, he determined, in 1825, to join Lafayette in America. List found the General in Philadelphia, and received from him a most kind recep-

familiar. Mr. Colwell first turned my attention to the works of Frederick List, and recommended to me the translation of the "National System of Political Economy," as a work which had been received with immense favor in Germany, and which, for its real merit and adaptation to our country, deserved like success here. My frequent conferences with Mr. Colwell first gave me a taste for Economical studies, which free access to his library, the largest on the subject of Political Economy I have seen in Europe or America, enabled me to gratify, to the full extent of all my leisure hours. This library contains many thousand volumes in the various departments of Social Economy, including works in the French, Italian, German, Spanish, and Latin languages.

tion. At Lafayette's special request, List accompanied him on his triumphal tour among the American people, and on that occasion he became acquainted with many of the most distinguished statesmen in the United States.

After much inquiry and examination, List became an inhabitant of Pennsylvania, purchased a farm near Harrisburg, and lived there with his family; but fever and other circumstances prevented success in his agricultural labors. He went thence to Reading, where he published a German paper. At the request of Charles J. Ingersoll, President of the Pennsylvanian Society for the Advancement of Manufactures and Arts, List published, in the *National Zeitung*, a series of letters, on the subject of free trade, which were republished in very many journals, and to the number of several thousand copies, in the form of pamphlets, by the above named Society, with the title: *Outlines of a New System of Political Economy*. These letters were favorably received by the most eminent men of the country, such as James Madison, Henry Clay, Edward Livingston, etc. That Society expressed its thanks to List for the publication of his *Outlines of a System of American Political Economy*, by which he had rendered a real service to the United States. The Society invited List to prepare two other works; the one, elaborate and profound, in which his theory was to be fully developed; the other, popular, and fitted to become a school-book. The Society undertook on its part to use every effort to give a wide circulation to these works, and invited the Legislatures of the States interested in the American system to follow its example.

From that time List gave himself up with ardor to the preparation of a work on Political Economy, of which he had completed the Introduction, when his labors were arrested by a fortunate occurrence.

This happy event was the discovery by List of the rich coal-measures since known as the Tamaqua mines. A company with a capital of $700,000 was formed; the mines were opened; and to bring them into communication with the Schuylkill Canal, a railroad from Tamaqua to Port Clinton was projected by List. The business soon promised to be highly successful, and our Author's cares seemed to be at an end.

With more prosperous circumstances, List experienced the desire of revisiting his native country. Germany was at the bottom of all his plans. In the solitude of the Blue Mountains he dreamed of a network of railroads in a German Union. He left America in 1830, before the completion of the Tamaqua Railroad, undertaken at his suggestion.

Upon leaving, President Jackson gave him a mission in reference to

the commercial relations of the United States with France, and appointed him also American Consul for Hamburg.

Soon after his arrival at Paris, List opened a communication with several journals, and became actively engaged in discussing economical and commercial reforms in France. He resigned his Consulship, returned to America in 1831 to give an account of his mission, and re-embarked for Europe in 1832 with a fortune, regarded by him as an independence, and with the honorary title of United States Consul for Leipzig. He began at once to disseminate his favorite idea of a network of railroads in Germany. But a little time, however, had elapsed when, upon his return from one of his frequent excursions, he received the intelligence that he was almost wholly ruined by a financial revulsion in the United States.

He again left Germany for Paris, and betook himself anew to the composition of his National System: but his restlessness soon carried him back to Germany. "I left France," he somewhere remarks, "because the French take no pleasure in anything but war and theatres."

His National System appeared in 1841, and its success was immense. He afterwards edited the *Zoll-vereins Blatt*, a periodical established at his instance in 1843 by Baron Cotta, in which he exhibited remarkable talent as a journalist. Without any official situation, without title or fortune, though his doctrines were attacked upon every side, he became a prominent man by the single prestige of his talent and character.

The dispatches of the English ministers on the continent signalized him to the London Cabinet as a dangerous enemy, on account of his endeavoring to rescue his country completely from the manufacturing monopoly of England. List denied positively that he harbored any hatred against England; for he acknowledged that by attempting to reach manufacturing and commercial supremacy she had mightily contributed to increase the productive power of mankind; but what he detested with all his heart, was that grasping temper of England which induces her to covet all the world for a market, which scarce allows any other nation to rise above dependence, and asks Germany to swallow the potion manufactured by her cupidity as a product of science and philanthropy.

He had reached the climax of his influence, when, at the age of nearly sixty, he wrote to a friend that, afflicted with infirmities, he looked to the future with anxiety, and, that if he was strong enough, he would for the third time visit America, whither his friends strongly invited him.

In 1846, the league and free trade triumphed in England. List could not resist the desire of then visiting London; he went there and soon found himself in communication with his three chief adversaries, Bowring, MacGregor, and Cobden. The coolness with which the statesmen of England received a paper which List prepared at the instance of the Prussian Minister, on the subject of an union between England and Germany, made his stay in England far from agreeable.

He returned to Germany in failing health, and soon after died at Kufstein, in the Tyrol, on the 30th November, 1846, on a journey undertaken for his health, and to find some relief from his sufferings. The alternations of fortune and misfortune had wholly absorbed the springs of that energetic and vigorous, but restless and feverish nature.

List enjoys high repute upon various grounds—as a politician, a promoter of rail-roads, and of the Zoll-verein; but chiefly as an economist.

As a politician, he was ever a partisan of liberal ideas, local liberties, and a persevering antagonist of centralization.

As a promoter of rail-roads, few have done more. The discovery of the coal-mines of Tamaqua, and the construction of the rail-roads connected with it, gave a vigorous impulse to his studies on public economy: he says:—"I had not hitherto comprehended the importance of ways of communication, except according to the theory of values; I had not noticed their results except in their details, and with regard to the extension of markets, as well as to the diminution of the prices of material products. Then I commenced to consider them in view of the theory of productive power, and in their collective action as a National System of communications, consequently in relation to their influence upon the moral and political existence, upon the social connexions, the productive forces, and the power of nations."

To whomsoever may belong the first idea of the German Customs-Union, (the Zoll-verein) and many attribute it to List himself; it may be safely said that no unofficial man contributed more to further its progress and secure its final establishment than List. For these labors Germany owes him a debt of gratitude, which the extraordinary success of his writings shows a willingness to acknowledge.

As an economist, he has distinguished himself by many works, but more especially by his National System of Political Economy, published with his other writings in Stuttgart and Tübingen, in 1850, by Louis Haüsser, Professor of History in the University of Heidelberg, a friend of List's family. The National System has been annotated and

ably translated into French, and published in Paris, 1851, by Henry Richelot, a distinguished economist, author of several works, among which is one upon the "German Customs-Union." * The translation now made from the German, reproduces rather the spirit than the letter of List; but it is faithful. List's notes have been retained, as well as Richelot's, as far at least as they were considered appropriate to an American Edition.

The grand characteristic of List's system is *nationality*. His edifice is built upon the idea of nations as they are. Contrary to the usual course of economists, who study how mankind can attain to a condition of well-being, List shows how a nation in given circumstances, can by means of agriculture, manufacturing industry, and commerce, reach a state of prosperity, civilization and power. He protests against the empty theory which overlooks nationality and national interests; or which, if it considers, deface them by cosmopolitical views. He contends that the School, by which term he designates the disciples of Adam Smith and Say, erroneously assumes a state of things as realized which is yet *to come;* for, admitting the existence of an universal association and the certainty of perpetual peace, we cannot extract from such a false hypothesis the doctrine of free trade, as a principle or an economical theory. List insists upon the necessity of acknowledging that the nation intervenes between man and mankind, with its particular language, its literature, its history, its habits, its laws, its institutions, its right to existence, to independence, to progress, and to a distinct territory; in a word, its personality, and all the rights and duties it involves.

Thus nationality is the ruling idea of the book; but with his vigorous mind and clear intelligence, he enlarges it until it comprehends every topic of human welfare. Upon that idea is based his National System of Political Economy. In Political Economy he includes that part of science which treats of international commerce. It is this very

* If this volume falls into the hands of Mr. Henry Richelot, whom I have the pleasure of knowing only through his writings, I take this means of informing him that the ire of Blanqui is not unknown to me, and that, as a translator, I am quite willing to share with him, and our common original, all the fury of criticisms inspired by wounded pride. The extremely bad taste which pervades Blanqui's article, greatly surprised me and others. It deserves signal rebuke; and I felt disposed, distant from the scene as I am, to make some reprisals, but I soon learned that he was no more. — *Requiescat in pace.*

idea of nationality which leads him, who has done so much for commercial liberty, to the restrictive system. With him, liberty is the end to which man must tend, but which cannot be reached at a bound, and should not be reached without carrying human welfare with it.

Restrictions, he acknowledges, impose at times an inconvenience in the increased price of commodities; but that evil soon finds ample compensation in the durable increase of productive power; a power much more valuable than the values it creates.

As to the application of restrictive measures, it will be noted with what caution he proposes and would enforce them. They must be employed, he says, with discretion, and be reserved for important industries, the success of which is necessary to the national welfare; protection must be accorded only so far as it is useful for the industrial education of a nation; that end obtained, protection must cease. Protection is the means, liberty, the end.

List's idea has not its source in a theory, but in observation, in history; and this point of view is the right one. He was so little inclined to make a theory, that he was perplexed about the title National System. He would have preferred one indicating that the conclusions to which he had arrived were the result of his researches in the domain of history. List does not pretend, like the School, to have furnished the world with a social panacea, or a new science.

We close by a quotation from the Author's Preface, in which, after having spoken of his studies and travels in the most important European States, he adds:

"My destiny having afterwards again conducted me to the United States, I left behind all my books; they would but lead me astray there. The best book on Political Economy in that new country is the volume of life. There we see solitudes rapidly converted into rich and powerful States. There only have I obtained a clear idea of the gradual development of the economy of a people. A progress, which in Europe required the lapse of centuries, is accomplished there under the eyes of a single observer; there, society is seen passing from the savage state to pastoral life; from this condition to agriculture; and from agriculture to manufactures and commerce. There, one may easily observe how the rent of land rises gradually from nothing to its highest range. There, the plainest farmer knows better than the most sagacious of the learned men of the Old World the means of making agriculture prosperous, and augmenting rents; he endeavors to attract manufactures to his neigh-

borhood. There the contrasts between agricultural and manufacturing countries are exemplified in the most decided manner, and cause the most disastrous revulsions. Nowhere are modes of communication for trade and travel, and their influence on the moral and material life of the people, better appreciated. That book I have read earnestly and assiduously, and lessons drawn from it I have tried to compare and arrange with the results of my previous studies, experience, and reflections."

He has given us a system which, however defective it may still appear, is at least not founded upon a vague cosmopolitism, but on the nature of things, upon the lessons of history and the wants of nations. This system offers a mode of reconciling theory with practice, and renders Political Economy accessible to every cultivated mind; a science which has hitherto, by its pompous, scientific phraseology, its contradictions, and its vicious terminology, defied comprehension and resisted common sense.

G. A. MATILE.

TABLE OF CONTENTS.

Page

THE TRANSLATOR'S PREFACE v

PRELIMINARY ESSAY xvii

NATIONAL SYSTEM OF POLITICAL ECONOMY. — INTRODUCTION 61

BOOK I. — HISTORY.

CHAPTER I.

Italy 83

CHAPTER II.

Hanse Towns 90

CHAPTER III.

Flanders and Holland 103

CHAPTER IV.

England 110

CHAPTER V.

Spain and Portugal 129

CHAPTER VI.

France 140

CHAPTER VII.

Germany 147

CHAPTER VIII.

Page
Russia 160

CHAPTER IX.

United States of North America 166

CHAPTER X.

Lessons from History 178

BOOK II.—THEORY.

CHAPTER I.

Political Economy and Cosmopolite Economy 189

CHAPTER II.

The Theory of Productive Forces and the Theory of Values 208

CHAPTER III.

National Division of Labor and the Association of the Productive Forces of a Country 228

CHAPTER IV.

Private Economy and National Economy 243

CHAPTER V.

Nationality and the Economy of a Nation 262

CHAPTER VI.

The Economy of the People and the Economy of the State.—Political Economy and National Economy 281

CHAPTER VII.

Of Manufacturing Industry, and of the Personal, Social, and Political Productive Forces or Powers of a Country 282

CHAPTER VIII.

Page
Manufacturing Industry and the Natural Productive Forces of a Country 294

CHAPTER IX.

Manufacturing Industry and Instrumental Forces, or the Material Capital of a Country 306

CHAPTER X.

Manufacturing Industry and Agricultural Interests 316

CHAPTER XI.

Manufacturing Industry and Commerce 338

CHAPTER XII.

Manufacturing Industry, Naval and Mercantile Marine, and Colonization 350

CHAPTER XIII.

Manufacturing Industry and the Instruments of Circulation 353

CHAPTER XIV.

Manufacturing Industry and the Principle of Permanency and Progress. 373

CHAPTER XV.

Manufacturing Industry and Stimulants to Production and Consumption 380

CHAPTER XVI.

Duties upon Imports and Exports, considered as a powerful means of creating and strengthening the Manufacturing Industry of the Country 385

CHAPTER XVII.

Import Duties and the Reigning School 394

BOOK III.—SYSTEMS.

CHAPTER I.

Page
The Italian Economists 408

CHAPTER II.

The Industrial System, improperly called the Mercantile System..... 411

CHAPTER III.

The School of the Physiocrats, or the Agricultural System..... 417

CHAPTER IV.

The System of Exchangeable Value, improperly called by the School the Industrial System.—Adam Smith..... 420

CHAPTER V.

Continuation of the foregoing—J. B. Say and his School..... 426

BOOK IV.—PUBLIC POLICY.

CHAPTER I.

Insular Supremacy.—The Continental Powers.—North America and France..... 437

CHAPTER II.

Insular Supremacy and the German Customs-Union..... 458

CHAPTER III.

Continental Policy..... 476

CHAPTER IV.

Commercial Policy of Germany 488

PRELIMINARY ESSAY.

(BY THE AMERICAN EDITOR.)

It is known to those conversant with the literature of Political Economy, that very great differences of opinion have existed not only in reference to the definitions, but to the terminology of this science. Its masters have not been in harmony as to the ground covered, nor as to the special terms in which its truths or laws were to be expressed. Certain Authors have attained higher repute than others, and the science has been taught, so far as it has been made a subject of special instruction, chiefly from them, or abridgments of them. In the United States it has been taught either directly from Smith's Wealth of Nations or Say's Political Economy, or from books deriving their doctrines mainly from these two writers. The works now extant expressly devoted to this subject are counted by hundreds, and the Authors are not only many of them of equal ability to the two named, but in not a few instances they are men of larger capacity, better preparation, and superior advantages. Some of them are of high authority, and so regarded by the special disciples of that School of Political Economy, of which Adam Smith is the acknowledged head, and Say an authoritative exponent.

A very little attention to the current of these writings will satisfy any intelligent and candid inquirer that it is necessary to go far beyond the works of Smith and Say to ascertain what are at present the prevailing opinions of professed political economists; and a pretty extensive survey will be necessary to show what is the present condition of the science.

The discordant views of writers, and the want of agreement in the use of terms, early attracted the attention of the leading writers, and scarcely a volume or a tract appeared upon this topic in which some effort was not made to harmonize repugnant positions, and settle the

meaning of terms. In regard to the latter difficulty, an elaborate effort was made in 1827, by ARCHBISHOP WHATELEY,* in the Appendix to his work on Logic. He remarks that "the terms of this science are drawn from common discourse, and seldom carefully defined by the writers who employ them; hardly one of them has any settled or invariable meaning, and their ambiguities are perpetually overlooked." The words to which he refers are Value, Wealth, Labor, Capital, Rent, Wages, Profits. Under each of these words he places the definitions of various writers, differing so widely that it seems strange a science could hold together cemented by such phraseology. The authors to whom he refers are Adam Smith, J. B. Say, Ricardo, Malthus, Storch, Sismondi, Mill, Torrens, McCulloch; and among these veterans in the science he finds occasion for this special effort to settle the meaning of the important terms above mentioned. Archbishop Whateley was dissatisfied even with the name Political Economy, and proposed CATALLACTICS as better designating the nature of the science. One work upon the subject, published in 1842, with the pseudonim of Patrick Plough, has that title.

In the same year, 1827, T. R. MALTHUS, author of the work on Population, published "Definitions of Political Economy, preceded by the rules which ought to guide political economists in the definition and use of their terms, with remarks on the deviation from these rules in their writings." "The differences of opinion among political economists have of late been a frequent subject of complaint," is the remark with which he commences his Preface; and the work to which he addresses himself in the volume, is an examination of the definitions of the French economists, of Adam Smith, J. B. Say, Ricardo, James Mill, McCulloch, and Bailey. That the criticism bestowed by Malthus on these eminent writers is not yet out of season, and that the occasion for it has not passed away in twenty-five years, is shown by the appearance of a new edition in London, in 1853, with notes by John Cazenove.

"The Logic of Political Economy, by Thomas De Quincy," published in London, 1844, was written expressly to correct some errors in the logic and terminology of the science.† In his estimation:—

"Political Economy does not advance. Since the revolution effected in that science by Ricardo, (1817), upon the whole it has been stationary.

* Archbishop Whateley was, for some time, Professor of Political Economy in the University of Dublin.

† McCulloch pronounces this "a very clever work," but complains of it as overlaid with the formula of logic.

But why? It has always been my own conviction that the reason lies in the laxity of some, amongst the distinctions which are elementary to the science. For example, that one desperate enormity of vicious logic which takes place in the ordinary application to price of the relation between supply and demand, has ruined more arguments dispersed through speeches, books, journals, than a long life could fully expose. Let us judge by analogy drawn from Mathematics. If it were possible that but three elementary definitions, or axioms, or postulates, should be liable to controversy and to a precarious use, (a use dependent upon petition, momentary consent), what would follow? Simply this, that the whole vast aerial synthesis of that science at present towering upwards towards infinity, would exhibit an edifice eternally, perhaps, renewing itself by parts, but eternally tottering in some parts, and in other parts mouldering eternally into ruins." After another illustration from the science of Astronomy, the author proceeds:—"Such, even to this moment, as to its *practical* applications, is the science of Political Economy. Nothing can be postulated; nothing can be demonstrated."

The whole work consists of an acute examination of the errors of Political Economy so far as they come within the range of his object. He devoted himself specially to the vindication of Ricardo.

Another effort to define this science, worthy of special mention, is that of JOHN STUART MILL, whose "Essays on some unsettled questions of Political Economy" appeared in 1844.* They are the more worthy of attention, as Mr. Mill was not only an eminent Political Economist, but skilled in logic and precise in language.

He excuses the want of good definitions by saying that many of the acknowledged sciences are deficient in this respect, and that good definitions are among the last things to be looked for in the march of a science, "first principles being, in fact, last principles."

He gives the *rationale* of the distinction between physical and moral science:

"Everything," he says, "which can possibly happen in which man and external things are jointly concerned, results from the joint operation of a

* Mr. Mill is the well-known author of A System of Logic, Ratiocinative and Inductive, in two volumes, 8vo., of very high repute and acknowledged merit, as a work on Logic. His sympathies, however, with the infidel philosophy of Comte are as visible as objectionable. He is also the author of the last great work on Political Economy which has appeared in the English language. It is in two volumes, 8vo., with the title, *Principles of Political Economy with some of their Applications to Social Philosophy*. Third English Edition, 1852. This work will be further noticed in the progress of these preliminary remarks.

law or laws of matter and a law or laws of the human mind. Thus the production of corn by human labor is the result of a law of mind and many laws of matter." "The laws of the production of the objects which constitute wealth are the subject matter both of Political Economy and of almost all the physical sciences: such as are purely laws of matter belong to physical science exclusively. Such of them as are laws of the human mind, and no others, belong to Political Economy, which finally sums up the result of both combined." "Political Economy presupposes all the physical sciences; it takes for granted all such of the truths of those sciences as are concerned in production. It then inquires what are the phenomena of mind concerned in production and distribution; it borrows from the pure science of mind the laws of those phenomena, and inquires what effects follow from these mental laws acting in concurrence with those physical ones."

Upon these considerations he furnishes the following definition of Political Economy:

"The science which treats of the production and distribution of wealth so far as they depend upon the laws of human nature." "Or thus: The science relating to the moral or psychological laws of the production and distribution of wealth." The Essay continues to illustrate the relations of mental science with Political Economy, and then proceeds:

"Pure mental philosophy, therefore, is an essential part or preliminary of political philosophy. The science of social economy embraces every part of man's nature in so far as influencing the conduct or condition of man in society." "It does not treat of the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end." After remarking at some length on the mixed motives which govern men in the affairs of life, he says: "But there are also certain departments of human affairs in which the acquisition of wealth is the main and acknowledged end. It is only of these that Political Economy takes notice. The manner in which it necessarily proceeds is that of treating the main and acknowledged end as if it were the sole end." The author then arrives at another definition, which, in his view, "seems to be complete:" "The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth in so far as those phenomena are not modified by the pursuit of any other object." — (pp. 130 to 140.)

This highly elaborated definition of J. S. Mill, drawn up after having freely admitted the pressure and full relation to the subject of its moral aspects, is under the cloud of seeming, if not to reject, at least to dis-

pense with all moral considerations. One of his preliminary definitions was, "The science relating to the moral or psychological laws of the production and distribution of wealth." It cannot but be noted that the final definition is of a very different tenor, and especially when taken with the principle, that for the purposes of the science the "acknowledged end" is to be regarded "as the sole end." We cannot but think that the author of these two definitions realized in the progress of his Essay, that the science of Political Economy, as received by himself and by many of the School of Adam Smith and J. B. Say, could not logically or consistently include any considerations of morality, humanity, or religion.

He remarks that it may be thought by some that his attempt to frame a stricter definition of Political Economy than those commonly received, can be of little use. "We think otherwise, and for this reason, that with the consideration of the definition of a science is inseparably connected that of the *philosophic method* of the science." "Where differences of principle exist as distinguished from differences of matter of fact or detail, the cause will be found to be a difference in the conception of the philosophic method of the science." After explaining, at length, how such differences lead men astray, and how they involve the old feud between men of theory and men of practice, he says: "In the definition which we have attempted to frame of the science of Political Economy, we have characterized it as essentially an *abstract* science, and its method as the *à priori*." "It reasons, and as we contend, must necessarily reason from assumptions, not from facts." "The conclusions of Political Economy, consequently, like those of geometry, are only true as the common phrase is *in the abstract*, that is, they are only true under certain suppositions, in which none but general causes — causes common to the whole class of cases under consideration — are taken into the account." "That which is true in the abstract is always true in the concrete, with proper *allowances*." (145.)

"It is in vain to hope that truth can be arrived at either in Political Economy or in any other department of the social science, while we look at the facts in the concrete clothed in all the complexity with which nature has surrounded them, and endeavor to elicit a general law by a process of induction from a comparison of details; there remains no other method than the *à priori* one, or that of abstract speculation."

He then proceeds to point out how this science is applied: "When the principles of Political Economy are to be applied to a particular case, then it is necessary to take into account all the circumstances of that

case," and ascertain by examination what are the "disturbing causes." The difficulty of appreciating these disturbing causes, and of ascertaining whether the inquirer possesses full knowledge of them, "constitutes the only uncertainty of Political Economy." He concludes that portion of his Essay by saying, that "the mere Political Economist, he who has studied no other science but Political Economy, if he attempt to apply his science to practice will fail." Political Economy is not, then, according to Mill, a mere collection of laws by which men are to be governed in the affairs of life, but a collection of the truths or laws of abstract science intended for the information of practical men. The scientific political economist "stands in the same relation to the legislator as the mere geographer stands to the navigator, telling him the latitude and longitude of all sorts of places, but not how to find whereabout he himself is sailing," and we may add, not pointing out where he is to sail nor the rocks and dangers in his track. He recommends to the mere economist "extreme modesty" in his opinions on practical politics, and in the practical applications of his doctrines to existing circumstances. — (pp. 140 to 155.)

We are indebted to another great authority for a special effort to state the progress of Political Economy, and to furnish a definition — N. W. SENIOR, Professor of the Science in the University of Oxford. One of his lectures is specially devoted to "the causes that have retarded the progress of Political Economy."* After some preliminary remarks, he puts the question: —

"Has the the progress of Political Economy been in proportion to the ardor with which it has been urged?" He answers, "No: After so much and so long continued discussion, we might have hoped that its limits would have been accurately laid down, its terms defined, and its general principles admitted. It is unnecessary to prove formally that this is not the case. Every one is aware that Political Economy is in a state of imperfect development, — I will not say characteristic of infancy, but certainly very far from maturity. We seldom hear its principles made the subject of conversation, without perceiving that each interlocutor has his own theory as to the object to which the inquiries of a political economist ought to be directed, and the mode in which they ought to be pursued. When we read the most eminent of the recent writers on the subject, we find them chiefly engaged in controversy. Instead of being able to use the works of his fellow-laborers, every economist begins by demolition, and erects an edifice, resting perhaps, in a great measure, on the same founda-

* "Four Introductory Lectures on Political Economy, delivered before the University of Oxford," London, 1852. — (p. 18.)

tions, but differing from all that has preceded it in form and arrangement."*—(p. 11.)

After discussing the subject at length, Senior decides that Political Economy is a mental, not a physical study — that it is concerned with the laws of mind, not with the laws of matter. What the political economist "reserves to himself," according to him, "is to explain the laws of mind which decide in what proportions the produce, or the value of the produce, is divided between the three classes by whose concurrence it has been obtained." (p. 34.) Having thus stated that Political Economy, as a subject, belonged to the department of mind, he proceeds to the question whether it is a science or an art. "If Political Economy is to be treated as a science, it may be defined as "the science which states the laws regulating the production and distribution of wealth, so far as they depend on the action of the human mind."

"If it be treated as an art, it may be defined as 'the art which points out the institutions and habits most conducive to the production and accumulation of wealth.' Or, if the teacher venture to take a wider view, as the art which points out the institutions and habits most conducive to that production, accumulation, and distribution of wealth, which is most favorable to the happiness of mankind."—(p. 36.)

There is a degree of frankness implied in these definitions which does honor to Senior as a professed political economist: in such hands, the subject, whether a science or an art, is more likely to make progress than in those who regard it as already nearly, if not altogether, perfect. The reader will bear in mind, that our chief object in these remarks is to ascertain how far Political Economy, in its present state, is entitled, whether as a science or an art, to state truths to enlighten, or rules to govern statesmen. It is quite certain, that so long as it is undecided whether it is a science or an art, its teachings must be regarded with much distrust in what regards public administration or the actual business of life. After noticing the Mercantile System and its errors, the works of Sir James Stewart, who blends art and science together to the confusion of both; the "*Formation and Distribution of Riches*," by Turgot, which is a purely scientific treatise; the writings of Quesnay and the Physiocratic School, which treat it as an art, Senior proceeds to

* N. W. Senior is the author of many works upon Political Economy, among which is an "*Outline of the Science of Political Economy*, 4to., London, 1836, which is pronounced by J. R. McCulloch to be "an able, comprehensive, and admirable Essay." There are few living writers on the subject of higher authority.

a critical examination of the *Wealth of Nations*. This he regards as a work upon the art, for "the scientific portion of his work is merely an introduction to that which is practical." "The English writers who have succeeded Adam Smith, have generally set out by defining Political Economy as a science, and proceeded to treat it as an art." (45.) But this, by Senior's own showing, is precisely what their master had done before them, for the "scientific portion" of the "Wealth of Nations" bears a very small proportion to the remainder. An instance of this kind of definition is cited by Senior from J. R. McCulloch, who defines it as a science, but in stating its object, converts it into an art. James Mill confuses his treatise in the same manner. Ricardo treats the subject as a science. "The modern Economists," continues Senior, "of France, Germany, Spain, Italy, and America, so far as I am acquainted with their works, all treat Political Economy as an art." (pp. 45–46.) Their opinion seems to be that Political Economy is a branch of the art of government, and that its business is to influence the conduct of a statesman, rather than to extend the knowledge of a philosopher." — (p. 46.)

It must be obvious, upon very little reflection, that speculations upon Political Economy can be of no great value until it is known whether they state abstractions of science, or give rules of conduct. The writer who has not understood or observed the distinction cannot, with safety, be trusted in either aspect of the subject, though he may be read with advantage by any one well versed in the two departments and able to keep the distinction in view. "It appears, from this hasty sketch, that the term Political Economy has not yet acquired a definite meaning, and that whichever of the three definitions I adopt, I shall be free from the accusation of having unduly extended or narrowed the field of inquiry." (p. 46.) It is remarkable, that in this "hasty sketch," no notice is taken of J. B. Say, to whose Treatise it is no doubt chiefly owing that this important question between the science and the art of Political Economy has arisen. We shall refer to Say in this aspect hereafter.

"The time I trust will come, perhaps within the lives of some of us, when the outline of the Science of Political Economy, as distinguished from the art, will be clearly made out and generally recognized; when its nomenclature will be fixed, and its principles form a part of elementary instruction. A teacher of the art of Political Economy will then be able to refer to the principles of the science as familiar and admitted truths. I scarcely need repeat how far this is from being the

case at present." (p. 52.) This opinion of Senior is cited for the benefit of many in the United States who have been taught to regard the science as fully treated by Say and the numerous compends of his work.

Senior pursues the discussion through another lecture, as to the question between science or art, referring specially to the work of John Stuart Mill (from which we have quoted so extensively above), and highly approving his views.

This distinction between science and art, as applied to Political Economy, has but recently been made prominent. Its application has revealed a fruitful source of error. The confusion consequent upon the blending of theory and practice, science and art, is complete and universal throughout nearly the whole literature of Political Economy. Men of logical minds or scientific training speculated and observed with a view to ascertain abstract truths or the laws of science; men of active life and a practical turn of mind, directed their attention chiefly to the actual processes of production and distribution, and many of them regarded these processes chiefly from the side of humanity and religion. Some writers have mingled all these views together, and there has been no limit to criticism and recrimination, argument, contradiction, and ridicule, between those who misunderstood each other, because their aims were different, their modes of thinking different, and because they had two distinct objects in their minds whilst they professed to be writing of one. This confusion of terms and ideas will be very apparent as we proceed.

George K. Rickards, a successor of Senior in the Professorship of Political Economy at Oxford, delivered three lectures before the University in 1852, which were published the same year. To these we resort for later opinions upon this much-vexed subject. He cuts the Gordian Knot of the distinction between science and art with a single blow of his weapon, and says that "Political Economy forms at all times and in all conditions of human advancement, a most important branch of the science of Government." — "All political rulers, indeed, whether they recognise the fact or not, are *ex necessitate* Political Economists. On some principles of Economy, true or false, they must needs act." He admits that Political Economy labors under a degree of discredit, and that the prejudices and misconceptions with respect to its nature and office which beset it from the first, still keep their hold upon some otherwise well-informed and cultivated minds." In regard to the principles and oracles of Political Economy, "a considerable misconcep-

tion exists, one which repels many from entering on the study, and induces many more to regard it with aversion or contempt." "It is well known," he admits, "that Napoleon Bonaparte, who possessed one of the most powerful understandings of modern times, entertained a rooted antipathy against Political Economy. It was a saying of his that 'if an empire were made of adamant, the Economists could grind it to powder.' But it is pretty evident in what light Napoleon really regarded the science which he denounced, and it is the same in which it is still regarded by a large portion of the world. He looked upon the lucubrations of economical writers, as he looked on one of the ready-made political constitutions of the Abbé Sieyes, as an artificial creation of speculative brains. He regarded them as a collection of technical rules and dogmas, devised by ingenious theorists and men of the closet, setting up to instruct the rulers of mankind how to conduct the commercial and financial affairs of their governments. Confident in his own political skill and genius, he put aside what he conceived the arbitrary prescriptions of philosophers, and branded the whole class with the imputation of presumptuous folly."

"I will not venture to assert on behalf of the whole catalogue of economical writers, at least in this country, that they have given no color or countenance to the misapprehension now referred to. An undue attachment to systems, an attempt to attain a scientific precision beyond what the nature of the subject-matter admits of, a proneness to generalize too hastily, and to lay down as infallible and universal, laws which are subject to perpetual disturbance from causes beyond the sphere of Political Economy; a reluctance to submit abstract reasonings to the correction of facts, and a tendency to controversies about terms, and the mere outward garb and nomenclature of science,—such infirmities, of a kind not unfrequently to be recognised in other departments of human knowledge, may have given color to the impression that political economists care more for system than for facts, and are conversant with vague abstractions rather than with the realities of life. Still more might this prejudice be countenanced by a defect which appears to me even more frequently characteristic of economical writers. I mean the omission to refer constantly for appeal and for correction to that primary source of all the conclusions of true Political Economy, the fixed laws of Providence exemplified in the constitution of man's nature and in the fundamental arrangements of society."—(*Rickards's Lectures*, p. 12, 18.)

Our object in this preliminary essay being two-fold—to justify the

bringing forward a new work on Political Economy, and to create some distrust of the teachings upon that subject which have been most in vogue in this country, we might pause here in the belief that we had attained our object.

But as the future study of Political Economy cannot be pursued advantageously without a still more extended knowledge of the confusion and want of harmony which reign among its leading authorities, we propose now to refer to these and to their appreciation of each other's labors. In this brief notice we confine ourselves chiefly to writers of that School which regards Adam Smith as its head. List has throughout the following work called it simply THE SCHOOL, for the reason that no other class of writers upon Political Economy makes pretensions to be the only safe expositors of the subject. Most others who regard Political Economy rather as an art, in some of its principal aspects coming within the scope of public administration, look upon themselves as contributing their views, facts, experience, and speculations, to elucidate the true policy of nations in the matter of industry and trade, and the well-being of people. Regarded from this point of view, all the principal works upon Political Economy are valuable as materials for study and discussion, and it is only when some of them are put forth as teachers of a science, as the propounders of indisputable truths, to pass unquestioned at all times and places, that it becomes necessary to look carefully into their pretensions. The space at our disposal will not permit an extended appreciation of the doctrines or merits of the authors to whom we shall refer; but as they belong mainly to one School, they may be safely treated as good authority against each other.

ADAM SMITH is the distinguished man, by common consent, referred to as the Father of that School which has long claimed pre-eminence in Political Economy. Whatever ground there may be for ascribing to him this paternity, it is very safe to say, that were he to revisit the world, he would find it difficult to recognise his offspring. We prefer giving all the honor of this fatherhood to J. B. Say, who, though he may have taken his inspiration from Adam Smith, was certainly the first to give the doctrines of Political Economy a shape and degree of consistency sufficient to form the rallying point of a School. Regarded as a treatise upon industry, wealth, and trade, and the other subjects to which it refers, and considering the time at which it appeared, the *Wealth of Nations* must be admitted to be one of the most successful works of modern times. It has, beyond question, been the chief stim-

ulus to the extraordinary discussions which have since ensued upon the subjects of which it treats. Its leading ideas made a great impression, and have since been the subjects of interminable discussion; but the *Wealth of Nations*, though often referred to, is seldom studied. Some have attributed this to the subject itself, and others to its want of method. It has many editors and commentators; it has been analysed and abridged, and many other modes have been adopted of facilitating its study. It is, however, only a text-book for Economists, and not a work to be read. We have quite a circumstantial account of the difficulty of reading it in the experience of Francis Horner, who rose in the early part of this century to very high repute as a Political Economist, by his Parliamentary career and his contributions to the Edinburgh Review.* He informs us that he and Lord Seymour "were under the necessity of suspending progress in the perusal of the *Wealth of Nations*, on account of the insurmountable difficulties, obscurities, and embarrassments in which the reasonings of Chapter V. are involved." (*Memoirs*, Vol. I., p. 163.) He and his friend had engaged in a regular and deliberate study of the work thus given up. He asks (*Ibid.*, p. 126) if "Smith did not judge amiss in his premature attempt to form a sort of system upon the *Wealth of Nations*, instead of presenting his valuable speculations to the world under the form of separate dissertations? As a system, his work is evidently imperfect, and yet it has so much the air of a system, that we are apt to adopt his erroneous opinions, because they figure in the same fabric with approved and important truths." In another place he says, in reply to a request to edit the *Wealth of Nations*, "I should be reluctant to expose Smith's errors before his work has operated its full effect. We owe much at present to the superstitious worship of Smith's name; and we must not impair that feeling until the victory is more complete. There are few practical errors in the *Wealth of Nations*, at least of any great consequence; and until we can give a correct and precise theory of the nature and origin of wealth, his popular, plausible, and loose hypothesis is as good for the vulgar as any other."—(*Ibid.*, 229.)

Mr. Horner's delicacy about exposing Smith's errors, has had few imitators since his day, for seldom has any book been more eulogized in general, and more found fault with in detail, than the *Wealth of Nations*. The great reputation of Smith has made the Economists, in general, anxious to range themselves under his wing, and from that position

* He was alone, or as some say, in conjunction with Huskisson, the author of the celebrated Bullion Report of 1810.

they have not hesitated to cut, and carve, and apply the caustic, until there is scarcely an important passage in the whole work which some one of his friends has not detached from his system as wrong, or branded as absurd. It would require volumes to specify the harsh treatment which this work has received from those who still appealed to it as the fountain of their own systems.

The English edition of the *Wealth of Nations*, edited by J. R. McCulloch, and published in 1828 and in 1838, has been pronounced by Blanqui, "*L'edition classique par excellence.*" It is accompanied by a life of the author, an elaborate introductory discourse, notes, and supplemental dissertations. The eulogy of Smith in the introductory discourse is generous and full, warm, and positive; his criticisms modest and few. It is such an appreciation as leaves on the reader a strong impression of the value and merits of the work. It is when he comes to details in the body of the work that the editor is impelled to expose the errors of his author. As it is far beyond our power to follow him in this severe process, we refer the reader to the edition of 1838, page 643, in the index under the name *Smith*, where he will find specifically stated and referred to, nearly one hundred important errors, all of which are treated fully in the notes. This might go far to deter the boldest student from entering upon the study of Political Economy by reading the *Wealth of Nations*.

We do not hesitate to ascribe to J. B. SAY the whole honor of taking the first important step towards developing the science of Political Economy, if, in its present position, it has good title to be regarded as a science. Struck by the reputation of Adam Smith, and the success of his work, he saw at once that the subject had a great hold on the public mind, and believing that if such an imperfect production could secure him so great a name, there was an opportunity of attaining a still higher reputation by producing a more perfect work upon the subject. His ambition rose to the point of founding a new science — the Science of Wealth. Upon this idea he labored with such success as to produce a work, which, if it has not placed its author as high on the roll of fame as Smith, it has at least been immeasurably more read, and its contents have exercised far more influence upon the public mind. It was intelligible and methodical. The subject was popular, and something of the kind was required, not only to satisfy the craving for knowledge upon the subject by statesmen and men of business, but also to serve as a text-book for Professors. It was received with immense favor, and soon appeared in nearly all the languages of Europe. Since the advent of

Say's Treatise, the science of Political Economy is referred to familiarly and commonly as regularly admitted into the family of sciences. But whilst no one can dispute the ability of his contribution to the subject, there has subsequently been strong opinions that he has not founded a science. The distinction is very important; if a contribution only, then what Say writes rests upon his single authority; if a science is set forth in his work, we are bound to receive what he says as the truths or laws of science. It becomes indispensable, then, to know when we take up Say's Treatise, whether his work is the teaching of a science, or the speculations of a Political Economist. That it is a work of great ability, all should admit; that its success and influence have far transcended its merits, is now plainly seen. Its claims to be a work of science have been successfully questioned. We have seen that the able Economist and logician, J. S. Mill (*ante*, p. 22), pronounces Political Economy to be an abstract science, constructed upon reasonings *à priori*. When he said this, he had all the advantage of an elaborate opinion by Say that it is an experimental science founded upon induction and observation of facts, and upon reasoning *à posteriori*. Say appeals to the Baconian philosophy as applicable to his inquiries, and that upon which his work is founded. Mill rejects that method of reasoning as inapplicable to the moral and mental sciences, and he does it upon grounds which cannot be shaken. For these grounds we refer to the work above cited. But we think it can require little reflection upon broader grounds than those taken by him to reach the same conclusion. We think that the events of human life, subject to the control of human reason, influenced by human passions and feelings, and complicated by the very varying chances and changes of life, are not in their nature the subject of inductive philosophy. The mind which is capable of inductive reasoning is not itself the subject of such a process. Men are not like bees or ants, whose habits and laws are proper objects of this philosophy. It might as well be attempted to ascertain the laws or legislation of a people by their actions, as to determine the problems of their Political Economy by observation of their modes of business. Bacon himself foresaw this difficulty in the application of his system, and remarks, that in the sciences which relate to mind and morals, "it must be bounded by religion, else it will be subject to deceit and delusion." What makes the inapplicability very plain in the present case is, that in regard to wealth, which is stated to be the object of the supposed science, it is impossible to separate it from moral or religious considerations in any circumstance of its production or distribution. It

is only of any possible importance as it concerns men; and men, in their relations with wealth and its production and distribution, cannot lay aside moral and religious considerations.

The argument of Say to prove that Political Economy is founded on a generalization of facts, will be found, at large, in the preliminary discourse to his Treatise. It will be seen that he rests his system upon it. Now the least that can be said when such men as J. B. Say and J. S. Mill* differ widely as to the very basis of Political Economy, as to the processes of reasoning by which it is constructed, as to the fact of its being an abstract or an experimental science, is, that students and readers must wait with patience until the professors and other capable persons decide a question so vital to its authority. And this is the more necessary because there is, as we shall see, as much disagreement about matter as about form.

"When Smith is read as he merits to be," remarks Say,† "it is seen that before him there was no Political Economy." And Smith cannot have produced a science, for, according to Say, his work "can only be considered as an immethodical assemblage of the soundest principles of Political Economy, supported by luminous illustrations of highly ingenious researches in statistics, blended with instructive reflections; it is not, however, a complete treatise of either science, but an irregular mass of curious and original speculations, and of known demonstrated truths."

Say, in the introduction to the later editions of his Treatise, makes an elaborate effort to show that his system is founded upon the inductive processes of the Baconian philosophy. The reader who examines his process will see with what justice. As he was founding a science, he wished to avail himself of the sanction of a name like Bacon's: not dreaming that, according to the leading Economists of no distant day, this choice of Bacon as his guide would be regarded as a blunder. He did not discover that Bacon's system was inapplicable; but that he met difficulties in the outset, is quite visible. He manipulates the term *facts*, which represent the things to be observed in the Baconian method, until he obtains an aspect which may answer his purpose. He first makes two classes of facts: *objects that exist*, and *events that take place*. "The manner in which things exist and take place is what

* Many other names might be mentioned on both sides of this question. We have seen above that Senior concurs with Mill, so also Tracy and Rossi.

† *Discours Preliminaire.*

is called the *nature of things*, and a careful observation of the nature of things is the sole foundation of all truth." Hence, a two-fold classification of science, the descriptive and experimental. Political Economy belongs to the latter; in showing the manner in which events take place in relation to wealth, it forms a part of experimental science. But facts that take place are subdivided into *general* or *constant*, or *particular* and *variable*. *General facts* are the results of the nature of things in all analogous cases: *particular facts* are the results of several operations modified by each other in a particular case. Objects that exist and events that take place, embrace two distinct sciences, Political Economy and Statistics. Political Economy, from facts always carefully observed, makes known to us the nature of wealth; from the knowledge of its nature deduces the means of its creation, unfolds the order of its distribution and the phenomena of its destruction. It is, in other words, an exposition of the *general facts* observed in relation to this subject. — "General facts, or if you please, general laws, which facts follow, are styled principles when we speak of their application." — "Political Economy, in the same manner as the exact sciences, is composed of a few fundamental principles and a great number of corollaries or conclusions drawn from those principles. It is essential that those principles be strictly deduced from observation." — "A treatise on Political Economy will then be confined to the enunciation of a few general principles not requiring even the support of proofs or illustrations, because these will be but the expression of what every one will know." The substance of Say's application of the Baconian system of induction, seems, then, to be this: — The science of Political Economy must be formed by an induction or observation of facts; by *facts* is intended *general facts*, or the *nature of things;* but by *general facts* is meant *general laws*, which *facts follow;* and by these are intended *principles* which must be strictly deduced from observation; and Political Economy, *like the exact sciences*, is composed of a few *fundamental* or *general principles not requiring the support of proofs* or *illustrations, being the expression of what every one knows.* It must be difficult to find any warrant for such philosophizing in the pages of Bacon. Say makes this long incursion into the field of inductive philosophy, and upon his return, instead of exhibiting an array of facts with his process of induction, he tenders us a few *general principles* requiring no proofs, being the expression of what every one knows. Could there be any need of invoking the aid of Bacon, if such were the premises upon which his system was to be built?

We have already adverted to the fact that the work of Say was received with signal favor: this favor, however, was far from being universal. Its method and general clearness of statement recommended it as a text-book, for which it was designed, upon a subject felt to be of importance, but upon which no book suitable for that purpose had appeared. It did not long escape severe criticism and even denunciation. Its hard materialism was soon detected; its attempt to construct a science of wealth apart from man, its sole possessor, and whom alone it concerns, and without any consideration of humanity, morals or religion, was unsparingly denounced. A great discussion followed, which we cannot even refer to now. We select two opinions of Say, very deliberately expressed; one by an eminent Economist of his own School, and the other by one who denied his whole system. The first is Adolphe Blanqui, who, in his history of Political Economy, after an appreciation of the merits of Say, in which he bestows the highest encomiums, proceeds to offer some of the objections to which his work is exposed:—

"The subjects which affect us so nearly at present, such as Wages and Population, seem scarcely to affect him: He proceeds to their examination with a degree of coldness; he adopts, without abatement, the opinions of Malthus, and it is here that his writings will be for ever vulnerable, and cannot fail of being surpassed by the School of Sismondi. He has considered production far too independently of the producers. He was seduced by the prodigies of English production, and did not think of the human suffering which followed in their train. He looked upon wages as sufficient, not because they enabled the laborer to live, but because they kept him from dying. The utility of his works consists much more in the errors he has dissipated, than in the truths he has discovered. He failed in not regarding from a point of view more social and more elevated, the questions of pauperism and wages: we find, in reading, something hard and repulsive, which recalls the abstract formulas of Malthus and Ricardo. His logic, when on the subject of succor to the unfortunate, is pitiless, and his severe rebukes of benevolence look as if he had more encouragements for misconduct than consolations for misfortune." *

The other opinion in regard to Say, is from Viscount Alban de Villeneuve Bargemont's History of Political Economy. He belongs to what is sometimes called the Humanitarian School, which takes the well-being of men, and not wealth, as the starting point of its system:—

* *Histoire d'Economie Politique, par A. Blanqui (aine)*, Professor of Political Economy in the Conservatory of Arts and Trades, and Director of the School of Commerce.

"This work (Say's Treatise), which placed its author in the first rank of the disciples of Smith, has greatly contributed to propagate in France and Europe the new English doctrines of Political Economy."—"He advanced on these subjects propositions so bold and paradoxical that they endangered governments, religion, and the law of property itself; for, solely preoccupied with the increase of production, he seemed frequently to point at these institutions as more injurious than useful to public wealth."—"Imbued with the philosophy of the eighteenth century, habituated by the nature of his studies to seek for nothing beyond material utility, J. B. Say was the organ of a science which was developed at an epoch when there was no belief in any thing beyond the material interests of life."—"The first edition of his work was published in 1803: it rapidly disappeared. But theories so clearly repelling the intervention of government and the influence of civil and religious institutions, could not readily be tolerated by an overshadowing authority (Bonaparte) jealous of its power, and which was striving to place society upon a more solid basis. The author was not permitted to publish the second edition until ten years after, when it was dedicated to the Emperor Alexander."—"Whatever may be the talents of the author, there is the more reason to regret that abuse of science and that spirit of system which have drawn him, by a series of conclusions logically deduced from false and erroneous principles, to look upon man only as an instrument or a means of production, and to shed doubt, contempt, or sarcasm upon institutions which men feel it their duty to defend or respect."*

Two important works upon Political Economy appeared in 1815, in which this disposition to bow to the authority of Say is manifested, whilst the writers differ from him, not only widely, but radically; we refer to LE COMTE DESTUTT DE TRACY, and HENRY STORCH. The work of the former, to which we refer, is the fourth volume of his "*Treatise upon Ideology*," of which Mr. Jefferson, who revised a translation made in this country from the manuscript of the author,† before the publication in France, speaking of the original, said, "in which no word is unnecessary, no word can be changed for the better; and severity of logic results in that brevity to which we wish all science reduced." As a logician, Destutt De Tracy would rank as far above Say as the latter is above Adam Smith. Say's error consisted in *assuming* wealth as the object of a science: Tracy, after a logical process of great length,

* *Histoire d'Economie Politique;* Vol. II., Chap. XVI., pp. 264, 265, 266. He is also the author of *Economie Politique Chretiénne;* 3 Vols. 8vo., 1834. He no doubt regarded Say's work as an emanation of the infidel school.

† *Traite d'Economie Politique, Paris,* 1823. We quote from the translation, as in it we first examined the work. Published at Georgetown, in 1817.

being, in fact, a supplement to his system of logic, finds the basis of Political Economy in Ideology, or the science of the mind. He wished "to place the moral and political sciences on their true basis, a knowledge of our moral and intellectual faculties."

It is impossible to give the reader any idea of such a work as that of Destutt Tracy by short, or even long extracts. It can only be said that, as he finds the basis of the moral and political sciences in a knowledge of the intellectual faculties, he finds the basis of Political Economy in man, the owner of those faculties. In all his reasonings and observations upon the subject, he keeps his eye on man as found in society; on men, rich and poor, strong and weak. He does not treat wealth as the chief topic: in his view, individual strength, or the power to labor, is the primitive riches; the inequalities which arise, and inevitably exist in society, are motives for protecting those, who, from the accidents of life, or natural inability, fall behind, and become less able to make sure of a subsistence, — "the laws should always endeavor to protect weakness." — "I think that all must agree, that when a considerable portion of society is in a state of too great suffering, and consequently, too much brutalized, there is neither repose, nor safety, nor liberty possible, even for the powerful and rich; and that, on the contrary, the first citizens of a State are really much greater or happier when they are at the head of a people, enjoying that honest ease which developed in them all their intellectual and moral faculties."

Henry Storch was one of the tutors of the Grand Dukes Alexander and Nicholas, and it was to them he delivered a "*Course of Political Economy*," which we are about to notice.* Storch has attained, and deserves, a high rank, as a man of ability and a Political Economist. McCulloch places his writings "at the head of all the works on Political Economy ever imported from the Continent into England." This opinion, deliberately expressed in 1825, and as deliberately repeated in 1845, places him above Say, exceedingly to the disparagement of the latter, who had published his work as the exposition of a complete science, to which all men should bow as to the truth. There is, however, a very wide and radical difference in their conception of the subject. The explanatory title of Storch is *the exposition of the principles which determine the prosperity of nations*, which gives a very different point of departure from that of Say. "Until now," he says in his preface,

* *Cours d'Economie Politique ou exposition des principes qui determinent la prosperite des nations;* 1st Edition, 6 Vols. 8vo., 1815. We refer to the Paris edition of 1823, with notes by Say, in 4 Vols., 8vo. A fifth volume has been added.

"Political Economy has been regarded as the science of the wealth of nations; I have attempted to show that it embraces their prosperity, and that the theory of civilization is included, and is equally essential to the objects of the science." — "I have tried to sketch the outline of this *new doctrine*, for which the materials were in wide profusion." From the Reflections in the introductory portion of his work, we take the following passage: —

"The facts from which Political Economy is deduced, belong to the moral order; they are the result of the action of human nature. Man himself is the artisan of wealth and of civilization. It is he who subjects these to his wants and his enjoyments; thus, all the phenomena which these objects present are founded upon human nature, and can only be explained by it. This leads us to an important remark, which weakens the analogy we have discovered between Natural Science and Political Economy. The former being based on physical facts which are susceptible of a rigorous appreciation, belong to the domain of the exact sciences; Political Economy, on the contrary, being based upon moral facts, that is to say, upon facts produced by the faculties, wants, and will of man, is not susceptible of calculation, and takes its place in the circle of the moral sciences." — (*Vol. I.*, p. 22.)

In another portion of his introduction he says: — "At first glance it is seen how much this theory of Adam Smith is superior to that of the Economists (Physiocrats); these philosophers had made Political Economy a purely natural science; Smith raised it to the rank of a moral science." These two passages excited the ire of Say, who, to the very great displeasure of Storch, had edited an edition of his work in Paris, with notes, in which he makes no small effort to lessen the reputation and authority of Storch's labors. In reference to the passage last cited, Say exclaims: — "He has done a great deal more, he has raised it to the rank of the experimental sciences!" The exhibitions of spleen or impatience which characterize these notes of Say, show how deeply his jealousy was roused by the power and truth of Storch's positions. His conduct is the less pardonable, as Storch had transcended even the demands of literary courtesy in concessions to Say's high position as a Political Economist.

We have the authority of McCulloch that the "*Principles of the Science of Wealth*," by JOSEPH DROZ, is "one of the best elementary works on the science in the French language."* Droz is a writer of high moral tone and humane feelings. His work is either a strong

* Paris, 8vo., 1829.

specimen of the necessity of bowing to Say's supremacy in that day, even by those who differed from him, or it is conceived in a spirit of the deepest irony in reference to Say's system. He treats Say throughout with the most unbounded deference, as the head of the great School of Political Economy. Whilst his eyes are thus, however, deferentially fixed upon him, like a stout waterman, he is rowing the other way. Say's science is of wealth, that of Droz relates to men as they are concerned with wealth. "Political Economy is a science, the object of which is to render comfort as general as possible. All good men, even those who do not rise to the consideration of wise theories, endeavor to promote this good end." — "The activity or inactivity of labor, the good or bad apportionment of riches, depends, in many respects, upon the ideas, right or wrong, which governments form upon the subject of Political Economy. The science is essential to the work of ameliorating human condition." — "The study of Political Economy may dry up narrow minds and reduce their vision on earth to goods and sales and profits; but this study must ever be for minds nobly endowed, a source of exalted meditation upon the means of ameliorating the lot of the human family, and upon the blessings vouchsafed by the Eternal Author of all good." (*Chap. V., Book I.*) — "In studying the science of riches, it is essential never to lose sight of the relation between wealth and the amelioration of human condition, between wealth and human happiness. To consider riches in themselves and for themselves, is to denaturalize the science. By the habit of regarding only the production and distribution of riches, men come finally to see nothing in the world but commercial interests: many writers employ expressions which seem to materialize all our interests." — "Political Economy, well conceived must ever be the auxiliary of morals. We must not take riches for an *end*, they are a *means;* their importance results from their power of relieving human necessities and soothing human suffering, and the most precious riches are those which are devoted to the well-being of multitudes." — "Some Economists speak as if they believed men were made for products, not products for men." The difference between this doctrine and that of Say is, that the latter, so far as it notices human welfare at all, regards it as a means to increase production; the wealth produced being the end.*

* In the Dictionary of Political Economy, Paris, 1853, this work of Droz is thus spoken of: — "In this precious volume, as in all the writings of this author, we find an elegant and clear style, sentiments of high and pure morality, which bespeak a lofty mind, a noble nature; and that charming benevolence which is so apparent and so attractive in the conversation of that good man."

J. C. L. SIMONDE DE SISMONDI is well known and distinguished, both as a historian and as a Political Economist; he was a prolific writer in the latter character. His first publication on the subject was made as early as that of Say. He was then a follower of Smith, but being an ardent friend of humanity, his views underwent a complete change in the progress of his investigations. No more pleasing task could be offered us than turning through the voluminous works of Sismondi for the evidences of his pure love of human welfare, and his detestation of the science of wealth apart from human well-being. In the discourse pronounced before the French Academy upon the occasion of the death of Sismondi, who was one of the five foreign Associates, M. Mignet, the perpetual Secretary, speaking of Sismondi's survey of the masses of the laboring population in Europe, represents him as

"Surprised and troubled, and as asking himself if a science which sacrifices the happiness of man to the production of wealth, which oppresses millions of human beings with labor without providing them with bread, was the true science of Political Economy. He answered, no: and he uttered a cry of alarm to warn governments and nations of the danger which threatened them."

Mignet closes an eloquent notice of the life and works of Sismondi, with the following words:—

"M. De Sismondi is one of those men who have done most honor to literature by the greatness of their labors, and the dignity of their lives. No one has more earnestly considered the duties of intellect. Amiable in his private relations, devoted in friendships, indulgent towards others, severe to himself, endowed with an activity which never at any time relaxed, with a sincerity which never on any occasion belied itself, he possessed in the highest degree the love of justice, and a passion for good. With these noble sentiments he has imbued politics, history, social economy; to make these contribute to the cautious progress of the institutions of States, to the instruction and well-being of nations. For half a century he has thought nothing that was not honorable, written nothing that was not moral, wished nothing that was not useful; thus has he left a glorious memory, which will be ever respected. In him the Academy has lost one of its most eminent associates, Geneva one of her most illustrious citizens, humanity one of its most devoted defenders. ("Political Economy, and Philosophy of Government," Essays from Sismondi; London, 1847, pp. 15–24.)

"My life," says Sismondi, "has been divided between the study of Political Economy and that of history;—I have endeavored not to let those lessons be lost which are given by experience as to what contributes to create and maintain the prosperity of nations. But above all, I have always con-

sidered wealth as a means, and not as an end. I hope it will be seen by my constant solicitude for the cultivator, for the artizan, for the poor, who gain their bread by the sweat of their brow, that all my sympathies are with the laboring classes."—"I experienced the deepest emotion in contemplating the commercial crisis which has just swept over Europe; in beholding the cruel sufferings of the manufacturers and workmen, of which I was witness in Italy, in Switzerland, in France, and which authentic accounts testified not to have been less severe in England, in Germany, and in Belgium. I felt convinced that governments, that nations, were upon a false path, and that they were aggravating the distress they were endeavoring to remedy."* — "The physical well-being of men, in so far as it can be the work of government or society, is the object of Political Economy. All the physical wants of men, for which they are dependent upon their fellow-men, can be satisfied by means of wealth." — "Wealth is only a benefit when its blessings are diffused among all classes; population is an advantage only when men are sure of finding in labor the resources of an honest existence." — "A single thought directs us in every portion of this work; the inquiry for the greatest good of the human family, — that chief good which includes moral perfectibility with material happiness. A single rule suffices to classify the rights and claims of men. Society is intended for the greatest good of all." — "It may be seen at once, that more than any of my predecessors, I regard Political Economy, in its relations with the soul and intelligence. But to subsistence pertains life, and to life pertains all the moral and intellectual development of which the human race is susceptible." — "Social science ought always to have for its object men united in society — for in society everything proceeds from men, and everything relates to men, united by a common bond. But wealth — shall we call it an attribute of men or of things? — wealth is a term of comparison which has no sense, unless we determine to what it refers." — "A science of wealth, apart from the interests of men, is a mere abstraction — an edifice without any real foundation." — "Wealth is the product of that human labor which procures for men all the material enjoyments they can attain: — it is the representation of these physical enjoyments, and of all the moral and intellectual gratifications which can flow from them. Certainly: but for whom? This question should never be overlooked, and yet how seldom it occurs to or influences the mere theorists in Political Economy. For whom? According to the response they make to that question, man himself pertains to wealth, when the truth is, that riches are only riches because they belong to man."† In another place, he exclaims, in reference to Ricardo: — "What, is wealth then everything, — is man absolutely nothing!"

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* *Nouveaux Principes d'Economie Politique;* Tom. I., p 4. Paris edition, 1819.

† *Etudes sur L'Economie Politique;* Vol. I., pp. 2, 3, 4–9.

We regret being obliged to confine our extracts from Sismondi to the above, the originals of which are merely introductory paragraphs; his works on Political Economy abound in lessons of wisdom, and in protests of great force and eloquence against the materialism of the School of Smith and Say, which are regarded by him as equally dangerous and unphilosophical.

We return to J. B. Say to notice a work long subsequent to his Treatise. Whilst the latter was enjoying its high popularity in Europe and America, the author, as Professor of Political Economy, was engaged in delivering a course of lectures on the application of his science, which he afterwards published under the title, "*A Complete Course of Practical Political Economy.*"*

In the course of his further studies, he had the advantage of reading the innumerable criticisms and attacks made upon his system, and we now examine the work just mentioned, to ascertain if his views have undergone any change. It was difficult for Say to acknowledge that he had erred, when half the world was proclaiming that he was right. Yet we find evidence enough in the work now before us that he felt the pressure both of the logic and the eloquence which had been brought to bear against him. There is a strong and ingenious effort made by him to stretch his narrow system to the new basis, upon which alone he must have seen that the future growth of the science would take place. He gradually *lengthened his cords* as he felt this pressure coming upon him; but he could not do this without *weakening his stakes*, as will be apparent to those who have read the previous pages of this Essay. We almost fear that the concessions in the following extract are less strong than the impressions which the truth had made upon the author's mind. "The object of Political Economy," says Mr. Say in the "*General Considerations*" preliminary to his "*Complete Course*," "seems heretofore to have been restricted to the knowledge of the laws which govern the production, distribution, and consumption of riches. And it is so that I have considered it in my Treatise upon Political Economy, published first in 1803. Yet in that same work it can be seen that the science pertains to everything in society." Doubtless it can be seen by the reader who is sufficiently prepared by previous studies, but how very large a proportion of his readers have understood the work according to the intent of the author when it was written! How

* *Cours Complet d'Economie Politique Pratique, suivi des Melanges, &c;* 6 Vols. 8vo., Paris, 1828–9.

few out of France have had the benefit of the explanations of the Complete Course, which has appeared only in French. How many have a right to complain that no editor of Say has made known these important modifications of his opinions! In this country, Political Economy has been very generally taught according to the Treatise of Say, in which the science was restricted to the mere consideration of riches. But again, in close proximity with the foregoing, — "Political Economy, which seemed to have for its object merely material wealth, is found to embrace the *entire social system.*" If this is not a virtual and definite surrender of all that is peculiar in the system of Say, it would be difficult to find words to make it more strong. We do not mean that Say intended to surrender his system: the harvest of golden opinions which it was gathering for him, made an actual surrender almost impossible. His concessions to truth and humanity were designed to disarm opposition and conciliate support.

No one understood better than J. B. Say that his science of wealth could not be developed, from considerations involving the entire interests of the social system. He had felt himself obliged, by his own logic, in the construction of his system, to exclude politics and morals; how could he then pretend to change the basis of that system without changing the superstructure — that is, change his premises without changing his conclusions! We cannot but think that unprejudiced and discriminating minds who rightly estimate what is peculiar to Say in his Treatise, and what has been said against his system in general, and his doctrines in particular, and what has been done to recast the whole subject, must conclude that Say has been substantially superseded. His work was never in such repute in Great Britain as in the United States, and it was complained there that he refused to avail himself of the teachings of the British Political Economists, Ricardo, Malthus, Torrens, and McCulloch. It was said that the last edition of his Treatise was little better than the first. But these neglected Economists might have solaced themselves with the observation that Say's Treatise never even received the benefit of the additional light on the subject which is to be found in Say's "*Complete Course:*" Say refused to admit into his Treatise even his own discoveries and emendations. He perceived, doubtless, that his system would not bear emendations, many of which struck at his fundamental principles. His was a logical system, which could not endure the process of addition or subtraction without danger of crumbling to pieces.

A man of very commanding talents succeeded to Say's chair of Po-

litical Economy in the College of France, in the year 1833. PELLEGRINO ROSSI,* an Italian by birth, but for some time resident in Switzerland, could have had no claims to such a position but the power of his mind and his well-known acquirements. During the period of his Professorship, he was raised to the Peerage by the title of Count Rossi. His published lectures occupy four 8vo volumes. It is obvious to every reader that Rossi was embarrassed by the high repute of his predecessor. Whatever the points of difference between him and Say, he could not with propriety make those differences very prominent. It is quite visible, however, that if he has not made them offensively prominent, he has not been at much pains to conceal them. He did not teach the system of Say, but quite another system. Rossi, it is plain, appreciated more fully than Say the force of the objections urged against Say's doctrines; he knew that these objections not only endangered, if they did not destroy, the system of Say, but that they threatened even the position that Political Economy was, or could be, a science; he addressed himself at once mainly to the task of vindicating the claims of the subject to be regarded as a science: —

"Doubtless," he says, "there is a science of Political Economy; for there is an order of facts, an order of particular ideas, of which this science has for its object to exhibit the origin, the development, the connection, and the results. There is a Political Economy, because man, with his inclinations, his wants, his intelligence, and his power, is placed in presence of material nature, not only to know it, but to govern and appropriate it to his wants."† — "As long as it was possible, its enemies denied the existence of any such science: when that was no longer possible, every one endeavored to turn it to the promotion of his own interests." — "In this conflict of private interests, some forcing facts for one purpose, some using arguments or influence for another, the science, as Rossi urges, could not but suffer." — "Need there be wonder," he asks, "if amidst such conflicting claims, such opposing exigencies, such an inextricable mass of truths and errors, the science has halted, if it has only felt its way, if its gait has been tottering and doubtful?" (p. 14.) In his discussion he promises his students that he will "endeavor not to add darkness to darkness."

We perceive that this is by no means the language of a man who had merely before him the task of teaching a settled science. And although Say's system had made the tour of Europe, and was domesti-

* The same who, as Ambassador of France, was assassinated in the streets of Rome, on the 15th Nov., 1848.

† *Cours d'Economie Politique, par P. Rossi;* Tom. I., p. 21: Paris, 1843.

cated in the United States as a full-blown, if not a full-ripe, science. By a large number of educated men it was regarded as an established department of human knowledge, and the Treatise of Say was deemed its authoritative interpreter: —

"Need we blush for the science if we are obliged to avow in the outset that the first question which meets us is, What is Political Economy? * — And then, what are its objects, its extent, its limits? We cannot select for our consideration the more important topics of Political Economy if we are not at first agreed as to the nature and extent of the science itself, and yet it must be admitted this agreement does not exist among Economists. Its definition is to this day, one of the most controverted questions of the science. Some, modest in appearance at least, assign it limits sufficiently restricted to be well defined; the production and distribution of riches is with them the whole field of the science, — a field which it could not leave without ceasing to be itself.† Others proudly attempt to enlarge the boundaries and enrich the domain, by making Political Economy embrace the whole interests of society, — its organization, its tendencies, and its progress." — (p. 17.)

"The place it (Political Economy) ought to occupy in the domain of social science, is still (1834) a subject of doubt and dispute among Economists, and nothing yet promises an early and satisfactory decision." (p. 18.) — "The limits fixed by the chief of the School were soon transcended; they were not even respected by his most zealous disciples. I shall refer now but to three names justly celebrated, of whom one, although belonging to a living author, has, by the splendor which attaches to it, a right to be deemed an historical name.‡ And first, my illustrious predecessor J. B. Say. Although in his Treatise he takes the position that Political Economy is properly but the science of Riches; what does he say in his "*Complete Course of Political Economy?*" I give you his own words: — 'The object of Political Economy seems hitherto to have been confined to a knowledge of the laws which regulate the formation, distribution, and consumption of riches.' He acknowledges that he so regarded it in his Treatise; he goes on to say: — 'It may be seen, however, in this work, that this science pertains to everything in society, that it embraces the entire social system.'

* In Say's life-time, how deeply would such a question, from such a source, have wounded him!

† Say is here intended, but in a way to strike only the initiated; for, although Say's definition included the consumption of wealth, Rossi had previously explained that what is "called productive consumption, was nothing else than the employment of capital."

‡ The living author here referred to, is Sismondi. The other, is Storch. We have already drawn so largely from them, that we need not repeat the quotations of Rossi.

This is a virtual return to the idea of the Physiocrats. '*It embraces the entire social system.*'" — (p. 23.)

This phrase, comprehensive enough to destroy the whole of Say's system, could not but strike the quick and discriminating mind of Rossi, who, if prevented by his position from plainly saying so, *could not have thought less.* After citing passages from Sismondi and Storch, Rossi remarks that Storch's including "civilization" within the domain of the science, instead of fixing its limits, has the effect of "effacing all limits." Speaking of the principal Economists, he says further: "In a general survey of their writings, it would be difficult to find any two men eminent in the science, who agree as to its nature or its limits. There is then a real preliminary question to solve, and that is, to ascertain upon what principles the problems of Political Economy ought to be solved." — (p. 25.)

After a series of reasonings and siftings, Rossi ventures upon more definite ground: —

"Political Economy springs essentially from the following data: — Our power over things by means of labor; our inclination to saving, if a sufficient interest stimulates us; our inclination to unite our exertions for a common purpose; our instincts of property and of exchange or trade." (p. 31.) — "These are facts of every time and of every place; these are the general facts of Political Economy. From these data result the science of riches, a science rational, general, invariable; on the one hand, things and their properties; on the other, man, his intelligence, his physical powers; these elements, blended together by the inclinations and the wants of our nature, inclinations and wants of which the force may vary, but which, in some degree, are common to the whole human family. This science, thus considered, has for its theatre the whole world." — (p. 32.)

We find that Rossi is driven, by the severe process of his rigid analysis, to the four main facts he has stated. The science becomes henceforth, in his view, one of reasoning, one of abstraction, and not of induction, and of course he is found side by side with Tracy, Senior, and J. S. Mill. This is the very reverse of the position of J. B. Say: —

"Such," he says, "is the science in its generality." — "I boldly affirm that the science of Political Economy, regarded thus in that which is its general and invariable aspect, is rather a science of reasoning than one of observation. The contrary has been asserted by those who, as we shall see directly, have blended rational Political Economy with Political Economy applied — the science with the art. The science, properly so called, is constructed upon a small number of general facts; it is only by deduction that it arrives at any conclusions." (p. 33.) — "Again; we have more ends than one to gain in this world; Political Economy can serve as a

guide in attaining only one of these, and it has no mission to constrain any one to do this or to do that, for, I repeat it, science has no other direct end but to seek the truth. It is in the application of this truth that we are to keep our eyes upon all the principles which concur in the solution of social questions. The error arises from the supposition that every social question may be solved by the application of a single principle. It results from this, that whenever a principle of Political Economy is found to be involved in a question, an attempt is made to put the practical solution of that question to the account of Political Economy. That is wrong. Political Economy only furnishes economical conclusions — the consequences of an economical principle. It is for legislators, for men of business, to take account of all the other principles which should concur to make the solution of a question conformable to the highest interests, whether of nations or individuals." — "I say the highest interests: when, on any question the highest interest of the nation is wealth, then Political Economy should have the control; when the contrary is the case, when higher or stronger interests are involved, as the national dignity, economical considerations are but a secondary order of motives, and such as must yield to political considerations." — "I believe, then, that it is proper to distinguish at the outset, between rational Political Economy and applied Political Economy, and that afterwards, in every question which arises, it is not proper to blend even considerations of applied Political Economy with other considerations, moral and political, which control the solution which is required." — (pp. 39, 40, 41.)

"Finally," summing up his previous remarks on this head, he observes "that it was not proper to confound the results of the science of riches with the requirements of morals, for the just and the good cannot coincide with the useful nor with the exigencies of politics, which represent an order of utilities superior in degree to the utilities of Political Economy." — (p. 44.)

We refrain from the remarks suggested by these passages, trusting that their importance will not fail to strike the attentive reader. We have extended these quotations in preference to occupying the space with anything of our own. If Rossi's careful scrutiny of the state of the science, and if his logical acumen are at all reliable, a great task is yet to be accomplished by Political Economists before their science assumes a position of authority. The overthrow of Say's system has produced a confusion which time and patience only can remedy. We say the overthrow of his system, or the main doctrine of his Treatise, for we regard that as having been effected by the united labors of Count Tracy, Sismondi, Rossi, Senior, and J. S. Mill. Blanqui had foreseen that the School of Sismondi was destined to supersede that of Say. But

the *coup de grace* was given to Say's system by the demonstration of the four great Economists just named, that Political Economy is an abstract science, or a science of reasoning, and not a science of observation or experiment. In this strong position Say had planted himself, invoking the shade of Bacon to favor his inductive system of Political Economy.

If Say has been thrust from this position by these great adversaries, his Treatise can no longer be regarded as an expositor of science, but must, as we have already remarked, take its place among numberless other treatises upon this topic, to be regarded as a portion of the materials from which future Political Economists may draw in the progress of the science. One more passage from Rossi before we part with him. After furnishing many illustrations of the difficulties and perils of the science, he proceeds: —

"These instances inform us amply that the gravest questions meet us on the very threshold of the science. They are met in the domain of the pure science when we attempt to ascertain the general facts on which it is founded; they are met in still greater force, as might be expected, when we descend from these general facts to the deductions and corollaries which are to be derived from them. They are met in still greater number in the domain of Political Economy applied, for there they are augmented by all the contrarieties in the statement and observation of particular facts which so constantly occur in addition to what we have already indicated, — those legitimate moral and political influences, which, although strangers to the science of Political Economy, yet mingle in its decisions." (p. 51.) — "In seeking to discover the true principles of the science, and to obtain them pure from all alloy, we shall have more than one error to reject, more than one theory to rectify or complete, and that we may not reject the authority of reason, we must be ready to decline, with respectful firmness, the authority of our MASTERS." — (p. 52.)

Rossi observes too well the decencies of his position to attack more openly the authority of his predecessor, whose son-in-law, Charles Comte, had been his antagonist for the professorship; but he is ever too frank and independent to leave his hearers in doubt of the antagonism to Say indicated in the closing words of the foregoing citation.

The rise of Rossi in France, was not only rapid, but high, and well sustained by his whole career. His abilities were regarded as of the highest order in a city where there is at all times a congregation of the first men in the world. He was looked upon in France as one of the most eminent Political Economists of his day. "By the clearness of his mind," remarks J. Garnier, one of the most distinguished Econo-

mists of France, "the sagacity of his reason, the transparency and elegance of his style, he has elucidated every question he has touched, and specially contributed to restore economical studies to their proper dignity." "He was one of the finest intelligences of our time. France has lost in him a *savant* of the first order." Mignet closes the eulogy of Rossi as a member of the Academy of Moral and Political Sciences, with these words: — "He will be known in history by the elevation of his ideas, the splendor of his talents, the usefulness of his works, the moderation of his conduct, and the grandeur of his end." *

* If an examination of most of the Treatises upon Political Economy be made under the guidance of Rossi's firmly established distinction between the science in the abstract and the science applied, it exhibits a confusion of ideas, statements, and conclusions, for which it would be difficult to find a parallel. The science and the art, the science abstract and the science applied, are jumbled together in such hopeless conjunction, that neither clear views nor safe conclusions seem possible. We have had authors, reviewers, and orators in abundance, who have thought it sufficient to master a few of the leading positions of Say and some of his phraseology, to enable them to give law to governments and statesmen; who applied the laws of the so-called science as precepts of art without qualification, and without giving thought to numberless considerations involving human interests of various kinds and of the highest import; who called upon legislators and authorities, as well as upon all others interested, to bow down to the authority of the science; who said to rulers, "Let commerce alone;" to all they said, "Buy in the cheapest market;" "Let supply and demand regulate prices;" "There can be no over-production;" "Let trade be free;" "Obey these laws and prosperity will follow; all will go right with the people." Now this direct and naked application of these general laws or truths of the science of Political Economy to the affairs of nations or individuals, without due consideration of the attending circumstances, betrays ignorance, instead of knowledge, and folly, instead of wisdom. Say explained or applied his system in a work larger than his system itself. His disciples apply his system without the least reserve, without a word of explanation or alleviation. The results have in many cases shown the most disastrous quackery the world has ever seen. Rossi has distinctly placed the responsibility upon statesmen, and not upon Political Economists; he has exalted their responsibilities who have the welfare of the people in their charge, far above the efforts of those who are endeavoring to state the abstractions of science; he holds that the statesman who only regards the science of Political Economy as one of the numberless guides he has to consult in ascertaining a safe and wise national policy, would be guilty of great neglect of duty, if he were to shut his eyes and ears to all dictates but those of the science of Political Economy. The extent to which this blind subserviency to the abstractions of Political Economy has been urged upon the public in books and speeches, would be amusing if it had never been successful. These simple laws of Political Economy were so easily understood,

We are compelled, for want of space, to return again to the Political Economists of Great Britain, although it would be both instructive and interesting to have pursued our studies among those of France.* The writings of DAVID RICARDO gave a great impulse to economical studies. His publication of "*The Principles of Political Economy Taxation*," in 1817, gave him at once a high rank among the thinkers and writers of that day. His range of inquiry was not comprehensive, his efforts being confined more to correcting the errors of others than to the construction of any systematic work. He demonstrated to the satisfaction

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the prevalent teaching of Say's system having contributed to give them extended circulation, that they took possession of the public mind to a wide extent, and were by multitudes looked upon, not merely as truths of a settled science, but precepts evincing the profoundest skill in government. The tone of superior knowledge assumed by those who were most affected by this delusion, was frequently ridiculous in the highest degree. The British journals furnish some exquisite specimens of this mode of teaching Political Economy; so also do many of the continental periodicals, but chiefly the "*Journal des Economistes.*" But if we were to go into particulars of this false teaching, we could find no richer mine than the "*Southern Review*," of our own country — whilst in this Review are many papers from which we might dissent more or less, yet, with a high opinion of the powers and acquirements of the writers, there are others of a character so different as to create surprise that they could find admission into such a periodical. These articles probably emanated from one source, for it would be difficult to find their parallel in flippancy, shallowness, and inordinate self-complacency. This "*Southern Reviewer*" (we trust there is but one), armed like a porcupine at all points, lets off a shower of smart things when any one approaches his domain of Political Economy, or steps upon his little nest of straws gathered from Adam Smith and J. B. Say. This writer (assuming there is but one), winds up a review of one of H. C. Carey's works, which, in his ineffable self-conceit, he imagines himself to have utterly demolished with a story, in the application of which he plays the part of General Jackson and the victorious Americans at New Orleans, and gives to Mr. Carey that of the routed and used-up British army. The modesty and good taste of this application may be fairly taken as the measure of the writer's knowledge of Political Economy, and his capacity for deciding upon such works. Mr. Carey's reputation as a Political Economist in Europe and America, is far beyond the reach of the sapient writer in the "*Southern Review*," whose knowledge of Political Economy is not sufficient to inform him that, whilst he was revelling in the conscious delight of having used up Mr. Carey's works, they were being translated into various languages of Europe, and were placing their author at the head of a distinct School of Economists, respectable at once for numbers and intelligence, both abroad and at home.

* There are many eminent Political Economists in France whom we do not notice in this sketch.

of the leading Economists that Adam Smith's theory of value was defective. He had a controversy with Say, which did not terminate to the full satisfaction of either party. He adopted the theory of Rent, attributed to West, Malthus and Anderson, made it a hinge on which many of his special views turned, and employed it so constantly in his reasonings, that it is often called Ricardo's theory. It is the same which has been attacked with such power and success by our eminent Economist, H. C. Carey. It is doubtful where Ricardo will be placed in the final adjustment of this vexed and unsettled subject, but his writings must be always valuable to those who may continue the effort to construct a pure science of Political Economy. They do not come within the range of our present inquiries, because they do not profess to embrace the whole science. In the preface to his *Principles*, however, Ricardo gives us, if not a definition, at least an indication of his view of the scope of Political Economy. "The produce of the earth,—all that is derived from its surface by the united application of labor, machinery and capital,—is divided among three classes of the community;—the proprietor of the land; the owner of the stock or capital necessary for its cultivation; and the laborers by whose industry it is cultivated." "To determine the laws which regulate this distribution is the principal problem in Political Economy; much as the science has been improved by the writings of Turgot, Stuart, Smith, Say, and Sismondi, they afford very little satisfactory information respecting the natural course of rent, profit and wages." Ricardo informs his readers in many other places, that he was far from being satisfied with Political Economy as it stood in his day. The whole tenor of his works shows a fondness for close and severe abstraction, confining and narrowing his views to the mere subject of wealth, which he does not consider in its connection with human welfare. His perfect coolness in the discussion of the subject, may be seen in his definition of the natural price of labor, as "that price which is necessary to enable the laborers, one with another, to subsist and perpetuate their race without either increase or diminution." *One with another*, that is, a kind of average chance of living or not starving is regarded as all that the *natural price* of labor gives to the workingman! This is one of the laws of that science of wealth which regards man as merely a producer.

In 1820, the Rev. T. R. Malthus, previously distinguished as the author of the celebrated work on Population, published his Principles of Political Economy, considered with a view to their practical Application. He was, at that time, Professor of that Science in the East India

College. The introduction reveals, modestly but distinctly, the fact that he is far from content with the actual state of Political Economy. He represents nearly all its important positions as controverted. "There are, indeed, great principles to which exceptions are rare,"—"but even these, when examined, will be found to resemble in most particulars, the great general rules in morals and politics, founded on the known passions and propensities of human nature," — "and we shall be compelled to acknowledge that the science of Political Economy bears a nearer resemblance to the science of morals and politics, than to that of mathematics."—"Among those writers who have treated the subject scientifically, there is not, perhaps, at the present moment, so general an agreement as would be desirable to give effect to their conclusions." He regarded the subject as too unsettled then, to admit of a "new systematic treatise." He thought the various subjects of Political Economy had better be treated singly, until the discussion and "collision of opinions, and the appeal to experience separates the true from the false, and then the different parts may be combined into a consistent whole, which may carry with it such weight and authority, as to produce the more useful practical results." "The treatise which we already possess, is still of the very highest value, and till a more general agreement shall be found to take place, both with respect to the controverted points of Adam Smith's work, and the valuable extent of the additions to it," he recommends that the "different subjects which admit of doubt should be treated separately."* This is certainly disposing of the great pretensions of J. B. Say very summarily; the first edition of his treatise had appeared in 1803, and the second in 1815. It may not have been intended as a slight thus to pass over the work of Say, but if not so intended, it is impossible to avoid the conclusion that it was not regarded as occupying the position claimed for it by Say and his school. Say subsequently addressed five letters to Malthus, in which, though he could not complain of this slight, he very decidedly, but in very courteous terms, dissented from his doctrines. It is plain that Malthus did not regard the science as by any means so complete as claimed by Say then, and his disciples since. He speaks of it as "manifestly incomplete." He says, "It is impossible to observe the great events of the last twenty-five years in their relation to Political Economy, and sit down satisfied with what has been already done in the science." The whole work of

* These passages are taken from the Introduction to the Principles of Political Economy, by T. R. Malthus. Second edition, London, 1836.

Malthus is, in a considerable degree, a development of the opinions just cited, but no small part is devoted to the differences between him and Mr. Ricardo.

JAMES MILL, the author of a history of British India, published his "*Elements of Political Economy*" in 1821. He treated the science as being more advanced than was admitted by Malthus, and the object of his small volume was to furnish such a summary as would be suitable for schools. McCulloch says of this work, that it is "a *resumé* of the doctrines of Smith and Ricardo with respect to the production and distribution of wealth, and of those of Malthus with respect to population."—"But it is of too abstract a character to be either popular or of much utility." — "The science is very far from having arrived at the perfection which Mr. Mill supposed."* It is observable that Say is again overlooked in a general survey and summary of the science. Mr. Mill confines his view to the works of Adam Smith, Ricardo and Malthus. Perhaps no two works have been more found fault with than the former, and upon no book extant are the opinions of intelligent men more divided than on that of Malthus on Population.

In 1821, appeared an "*Essay on the Production of Wealth*," by R. TORRENS, who has, since that time, continued to be a writer upon subjects of Political Economy. His works have always commanded attention and respect. This too was an attempt to produce a systematic treatise upon a subject which he regarded as far more advanced towards the certainties of science, than its subsequent history has justified. Col. Torrens ventures the prediction, that twenty years will leave "scarcely a doubt of its fundamental principles." This shows that he had no idea of the obstacles which were obstructing the progress of Political Economy. He must be a hopeful student who will now say that the science will be reduced to certainty within half a century from the date of Col. Torrens's prediction. And many are now confident it never can be settled upon the basis upon which he treated it. After some criticisms upon Smith, Ricardo and Malthus in his preface, he infers that a "general treatise upon Political Economy, combining with the principles of Adam Smith so much of the more recent doctrines as may be conformable to truth," — "is a desideratum in our literature." His work is not founded upon that of Say, to whom, however, he refers, and from whom he takes some of the positions included in his work. He distinctly points out and rejects, some of Say's doctrines. His pre-

* Literature of Political Economy, p. 17.

face specifies many errors of previous economists, as, in part, a reason for the production of his systematic treatise. After all this effort, probably there are few of the many pamphlets published by Col. Torrens, which have not been more read and appreciated than this treatise. It has never been acknowledged as a satisfactory work upon Political Economy, and has long since been placed on the list of the unsuccessful efforts to settle this subject. We cannot but say in passing, that an undertaking in which men of such undoubted talent as Ricardo, Malthus, James Mill and Col. Torrens, fail signally, must be difficult indeed. True, their failure is only partial—they have failed in settling the science of Political Economy, but their works are of value as contributions to the subject. Their failure is calculated to awaken doubts whether the elements of a science can be well chosen when such men cannot succeed in a satisfactory development. We cannot but think their labors would now be more valuable, if each one had set out in his speculations unembarrassed by those of any previous writer

No Political Economist, for the last thirty years, has been more prominent than J. R. McCULLOCH, the author of the article on Political Economy in the Supplement to the Encyclopedia Brittanica, which was published separately, with additions, in 1825.* Since that time he has published a Dictionary of Commerce and Navigation; A Statistical Account of the British Empire; A new Edition of Smith's Wealth of Nations, with an Introduction, Notes and Supplementary Dissertations; A Treatise on Taxation; The Literature of Political Economy; A History of Commerce; Treatises on Economical Policy; Essays on Interest, Exchange and Money; and many other important works. Besides these, McCulloch has been a large contributor to the Edinburgh Review on the topic of Political Economy, and is the author of many pamphlets on that subject. These voluminous works, some of which are standard authorities, and found in the hands of multitudes who give no attention to Political Economy as such, have made McCulloch more known than any economist of his time. It cannot but be admitted, that the course of his studies has made him better acquainted with the facts and events connected with labor, commerce, money and wealth, than any other writer upon the subject of Political Economy. His Geographical Dictionary; his Commercial Dictionary; his Statistical Account of the British Empire, brought distinctly and fully before him the great facts of industrial and commercial progress; his Litera-

* The fourth edition greatly enlarged, appeared in 1849.

ture of Political Economy, and his numerous Reviews, brought before him very fully the whole authorship of Political Economy; so far, therefore, as preparation goes, it must be conceded that McCulloch was well fitted to speak on the subject, and fairly entitled to be heard. It becomes a matter of interest to know where a man of such advantages has taken his stand, and on what side he has declared himself upon topics so controverted. It is quite impossible here to furnish the reader with any adequate view of McCulloch's opinions upon the more important points of Political Economy. We find no difficulty in ascertaining that he walks not in the footsteps of Smith or Say, and that he is under few obligations to them. Say's treatise being an attempt to construct a pure science of Political Economy, was never regarded with favor by McCulloch, nor indeed, as we have seen by other British Economists, who, whatever praise they accorded to Say, did not acknowledge the claim of his system to be what it purported to be.

McCulloch belongs neither to the School of Say nor to the still more refined and strict School of Tracy, Rossi, and Senior. He persists in considering all the topics of Political Economy from a practical point of view. He speaks of the science, it is true, but only in that popular sense in which men speak of the science of politics, which is a very different sense from that in which it is employed by Rossi, Senior, and J. S. Mill. "The Economist," says McCulloch, in the Preface to the third edition of his "*Principles*," "who confines himself to the mere enunciation of general principles or abstract truths, may as well address himself to the pump in Aldgate, as to the British public. If he wish to be anything better than a declaimer, or to confer any real advantage upon any class of his countrymen, he must leave general reasoning, and show the extent of the injury entailed upon the community by the neglect of his principles." In the same preface, he says that Mr. Senior is in error in affirming "that the facts on which its general principles rest may be stated in a very few sentences, or rather, in a very few words, and that the difficulty is merely in reasoning from them." — "We greatly doubt whether the general principles can be so easily established as Mr. Senior supposes." — "Mr. Senior, the ablest and most distinguished defender of what may be called the restricted system of Political Economy, says 'that wealth, not happiness,' is the subject with which the Economist has to deal." McCulloch contends that in speaking of wealth a certain latitude must be allowed, or if not, the Economist will have "done little more than announce a few barren generalities of no real utility." It is quite evident that McCulloch does

not appreciate the distinction upon which his compeers insist, between science and art, and that for want of this appreciation there is great confusion of ideas in the introduction to his "*Principles.*" And indeed, the same confusion follows him wherever he indulges in remarks about the science. He loves to regard Political Economy as a science, but not such a science as Say develops, nor such as that of Rossi or Senior. It is apparent, in fact, that McCulloch produced his first work more under the influence of this idea of science than is exhibited in later productions. It would be easy to point out inconsistencies arising from this change; but they are to be found throughout his works wherever he endeavors to give his speculations on the subject of Political Economy a scientific form, or connect them with the science. His real merit consists in his acquaintance with the subject on which he writes, his faults and inconsistencies arise from his concessions to a science which did not exist, and could not upon the elements which were in his mind.

The change of McCulloch's views between his earlier and later career, may be estimated by the following extracts: — "But the errors with which this science was formerly infected," (Introduction to "*Principles,*" published in 1828), "are now fast disappearing; and a few observations will suffice to show that it really admits of as much certainty in its conclusions as any science founded on *fact* and *experiment* can possibly do." From the preface to the third edition of the same work, published in 1842, we take the following: — "Notwithstanding the pretensions so frequently put forward by Politicians and Economists, some of the more interesting portions of the sciences which they profess, are still very imperfectly understood; and the important art of applying them to the affairs of mankind, so as to produce the greatest amount of permanent good, has made but little progress, and is hardly, indeed, advanced beyond infancy. *Initiatos nos credimus dum in vestibulo hæremus.*" — "However humiliating the confession, it is certainly true, that owing to the want of information, not a few of the most interesting problems in economical legislation are at present all but insoluble, and it must be left to the Economists of future ages, who will no doubt be able to appeal to principles which have not yet developed themselves, to perfect the theoretical, and to complete, or reconstruct the practical part of the science." These two passages keep their place in the fourth edition, 1849.

To show that he does not accept the celebrated maxim of the Physiocrats, and which afterwards became the central doctrine of Say's

School, *Laissez faire, laissez passer*, McCulloch inserts in the third edition of his "*Principles*" a whole chapter, in which he elaborately argues the right of government to intervene in matters of private concern, for individual, as well as for public good. As he has treated Political Economy it is inseparable from Politics, although he makes the attempt to distinguish them. So far as the science of Political Economy is concerned, it has suffered greatly in the hands of McCulloch; but so far as Economical knowledge is concerned, his contributions are of more value than those of any other Economist, and even of many of them combined. His writings will be consulted with advantage when very many of the treatises upon Political Economy will only keep their places on the shelves of libraries as events in its history.*

We have already spoken in high terms of N. W. SENIOR, the author of many publications upon Political Economy. That which we shall now notice is the one in which he summed up his views with much clearness. It was first published as the article on Political Economy, in the "*Encyclopedia Metropolitani*," in 1835, and subsequently in a separate form. In the scientific distribution of that great work it was placed among the "pure sciences." It was no doubt the intention of the writer of the article to keep within the bounds of pure science: if he has not succeeded, he has at least shown the great error of those who called Political Economy a science, and treated it without any regard to the primary idea of a science. In the form of this work, considering his aim, Senior has shown himself superior in distinctness and power of generalization, to the author of any other system of Political Economy. In special points he may have been surpassed by Rossi. After having in his Introduction restricted his subject to Wealth, he adds, "The questions, To what extent, and under what circumstances, is the possession of wealth, on the whole, beneficial or injurious to its possessor, or to the society of which he is a member? What distribution of wealth is most desirable in each different state of society? And what are the means by which any given country can facilitate such a distribution? all these are questions of great interest and difficulty, but no more form a part of the science of Political Economy, in the sense in

* Our commendation of McCulloch is not without knowledge of the attack to which he exposed himself, and which appeared with the title, "*Some Illustrations of Mr. McCulloch's Principles of Political Economy, by Mordecai Mullion*," 1826. We had frequently noticed the facts there dwelt upon, but without that asperity of feeling which is displayed by him, who takes the *nom du guerre* of M. Mullion.

which we use that term, than Navigation forms a part of Astronomy." The science in his hands is not of

"Happiness, but wealth; his premises consist of a very few general propositions, the result of observation or consciousness, and scarcely requiring proof, which almost every man, as soon as he hears them, admits as familiar to his thoughts; and his inferences are nearly as general, and if he has reasoned correctly, as certain, as his premises. Those which relate to the nature and the production of wealth, are universally true; and though those which relate to the distribution of wealth are liable to be affected by the peculiar institutions of particular countries; in the cases, for instance, of slavery, legal monopolies, or poor-laws, the natural state of things can be laid down as the general rule, and the anomalies produced by particular disturbing causes, can be afterwards accounted for. But his conclusions, whatever be their generality and their truth, do not authorize him to add a single word of advice. That privilege belongs to the writer or statesman who has considered what may promote or impede the general welfare of those whom he addresses, not to the theorist who has considered only one, though among the most important, of those causes. The business of a Political Economist is neither to recommend, nor to dissuade, but to state general principles, which it is fatal to neglect, but neither advisable, nor perhaps practicable, to use as the sole, or even the principal guides in the actual conduct of affairs." Mr. Senior is well aware, however, of the "imperfect state of the science, although, long and intensely studied."

One of his prominent objects in the work before us was to improve the nomenclature of the science, which he admits to be in a very bad condition. "The English work which has attracted the most attention during the present century, Mr. Ricardo's "*Principles, &c.,*" is deformed by a use of words so unexplained, and yet so remote from ordinary usage and from that of other writers on the same subject, and frequently so inconsistent, as to perplex every reader, and not unfrequently to have misled the eminent writer himself." *

These passages suggest an obvious, but important remark, applicable to all the writings upon Political Economy: very great confusion of ideas, premises, and conclusions, exists not only in works upon that subject, owing to the very general disregard of the distinction between science and art, but also to the disregard of the corresponding distinction between men who are qualified to instruct us in science and those who are qualified to teach us art; between the men who may be qualified, by their powers of reasoning, observation, and logical discrimination, to

* These citations are from the Introduction to Political Economy, by N. W. Senior.

perceive and state those few main propositions or generalizations, which are the alleged elements of the science of Political Economy, and those who, while they can readily comprehend the import and teaching of these general propositions, can, from their experience of the world, employ them in connection with all the facts and considerations touching public and individual welfare, which go to influence the minds of statesmen and legislators. Now, according to an illustration of Senior, a writer may be master of the science of Political Economy, but be as unfit to be a Statesman as a mere Astronomer would be to navigate a ship. It will scarcely be denied, we presume, that whatever knowledge of the science of Political Economy was possessed by a large majority of the writers upon that subject, very few could lay any pretensions to being statesmen. Adam Smith was a College Professor, and so have been most of these writers since his day. The life of a professor may be favorable to intellectual studies, but it certainly is not an adequate preparation for statesmanship. We think then that the conclusions of Political Economy have been pressed upon the attention of nations and public men, with a zeal and an importunity in the inverse ratio of their importance. The men who have attempted to elaborate the science of Political Economy, have been more or less successful, as may be variously judged by those who review their labors; but clearly, the men who have attempted to apply these unsettled principles to the actual affairs of nations have been unsuccessful, both because the principles to be applied were uncertain, and because, if these principles had been ever so clear, the parties making the attempt had not the requisite practical knowledge to enable them to make the application. If these principles were not only well defined, but admitted, they would form but a very small part of the knowledge needful for wise and successful statesmanship. Notwithstanding these reasons for modesty in the application of the principles of Political Economy, there has been no quarter from which the ear of public men has been more assailed than from recluse fledglings of this science. How many, ignorant of Senior's advice, but having got hold of some of those general propositions which he announced, have regarded themselves as not only qualified to advise all men in high station, but to undertake the government of any nation or all nations! The truth is, not a few of this School announce the doctrine of free trade as sufficient to cover the whole ground of human welfare. The question of free trade belongs not to the science of Political Economy, according to the theory of Senior, Rossi and Tracy, but to the consideration of the statesman, or the domain of government and politics; and

course of Senior, who now stands in England, foremost in the pure science of Political Economy, so far as it is entitled to take rank among the pure sciences.

J. S. Mill says, that "The Wealth of Nations, is, in many parts, obsolete, and in all imperfect;" and he is, therefore, of opinion, that a work on that plan is timely and desirable. He proposed to supply it, and we think has by this exposed himself to a similar fate with that to which he consigns Adam Smith, that of being at no distant day pronounced obsolete and imperfect. When we say this, we are far from insensible to the merits of the work before us. In method, it surpasses any previous work of equal dimensions, and it contains a great variety of clear and distinct reasonings upon the several divisions of his subject. But its authority as a work must ever suffer from its double character, and from the fact which cannot be gainsayed, that J. S. Mill was not a practical statesman, however profound a logician and philosopher.

Although Germany may have been less prolific in writings upon Political Economy than France and England, and less fruitful than its general literature would have warranted us in expecting, yet German Professors and public men have, by no means, withheld their views upon this subject from the world. Their works upon the various kindred topics of Political Economy, would make a library of themselves. According to the tendency of the German mind, the most of these are Eclectic. There are, however, some supporters of all the leading schools, and Smith and Say have their full share. At the present moment, List's School is believed to be the most influential and respectable in every point of view, although the whole weight of English influence is opposed to it, as well as the remaining strength of the School of Smith and Say. The work of List, herewith given to the American public, although imperfect and inartificial in many respects, is yet one of the most original and valuable which Germany has produced, and in not a few respects superior to any previous work. The German Eclectic works furnish a vast amount of well arranged information, and they may always be consulted with advantage. We would refer especially to the works of Schmalz, Jacob Vollgraff, Krauze, K. H. Rau, Lotz, Herman, and Schæn; but there are others of equal merit to some of these.

Political Economy has long been a favorite subject in Italy. No series of writings upon the subject can justly be placed before those of the Italian peninsula.

These were much less known, until within the present century, than they deserved. They were sources from which the writers of other

countries could draw without much danger of detection. The subject has been generally treated in Italy as within the domain of politics. A selection of the Italian Economists was, at the instance of Napoleon, made and republished in fifty volumes, 8vo., at Milan, under the direction of Baron Custodi. This publication was commenced in 1803, and completed in 1816. It did not, by any means, embrace all the meritorious writers upon that subject in the Italian language. Since that publication, a great number of important and able works have appeared in Italy, very few of which belong to the School of Smith and Say. Another collection of Italian Economists, and of foreign works upon Political Economy, translated, is now in process of publication at Turin, which will probably contain as much as the collection of Custodi.*

There is one Italian author to whom we are pleased to draw the attention of the reader. MELCHIOR GIOJA is not only well known as an Economist in Italy, but is distinguished by many works upon other kindred topics, one of which is the Philosophy of Statistics. The work now before us, was published in Milan, in 1815–19, in six quarto volumes, with the title; "A new Prospectus of the Economical Sciences, containing a summary of the ideas, historical and practical, in every branch of administration, public and private." This great work has been called an Encyclopedia of Public Economy, and has been compared to those great lakes into which all the streams and rivers of a country empty themselves. Large as this work is, it may be consulted as a model of condensation. Its synoptical tables are the wonder of all who examine them. The method throughout is so rigid, that the whole work would be forbidding, if the style were not as lively as the method is vigorous. His analysis of writers upon Political Economy is searching, and his criticisms merciless. He spares none who have exposed themselves to the lash, be they renowned or obscure. He ranges over the whole subject from the laws which refer to animals of labor, to those which regulate the affairs of the most civilized nations. One of the most remarkable of his Tables is that at the close of the fifth volume, in which he arranges the contradictions of the principal Economists in

* This enterprise reflects the highest honor upon editors and publishers, and deserves the patronage of all who are interested in the progress of Political Economy. The editor is Francesco Ferrara, Professor of Political Economy in the University of Turin. The publishers are Cugini, Pomba and Co., Turin.

We have the works of Gianni, 2 volumes, 8vo., and the works of Fabbroni, 2 volumes, 8vo., constituting 4 volumes of a collection of Tuscan Economists. (Raccolta degli Economisti Toscani.) How many more are published we know not.

parallel columns, quoting each passage, and indicating its page with full marginal notes of his own. This Table occupies 122 pages, 4to. The names of Smith and Say figure conspicuously in this extraordinary document—far more space being allowed them in this exposition than any other two writers.

In accordance with the general opinion of the Italian School, Gioja favored the intervention of a government in the affairs of its people, whenever their interests could be promoted by such intervention. At the close of the sixth volume he appends an instructive table, which sets forth 54 cases or occasions, in which a government may beneficially interpose to assist the progress of industry, or specially promote human welfare, placing in a parallel column 52 instances in which intervention is injurious. The manly courage of the author is very conspicuous in this Table, in which he distinctly specifies the injury inflicted by governments in encouraging that policy of the Papal Church which has been so fatal to the progress and industry of Italy.

A few specimens from this Table may be interesting:—

"The influence of government is useful:—1. In the construction of good roads and canals, which by diminishing the expense of transportation, leaves to individuals a greater disposable capital."

2. "In the concession of public aid by money or credit, to enterprising and capable men introducing new branches of industry, either with or without interest, or upon long terms of payment, a policy which may be very beneficial, as the history of England shows."

3. "In the exempting from taxes for a certain number of years, lands recently reclaimed or newly brought into cultivation."

4. "In the construction of public works, the income of which may not only facilitate the progress of industry, but assist in keeping taxation at the lowest possible point."

5. "In the location and number of tribunals of justice, so as to save the time of suitors and witnesses."

6. "In the establishment of libraries containing rare and expensive works of science and taste; museums of natural history, formed of the productions of every portion of a country; cabinets of machinery, ancient and modern, with privileges to workmen and artists to examine them daily; and similar liberty to students in the libraries."

7. "In the establishment of botanic gardens for the purpose of acclimating exotic plants, and testing their value; in observations to ascertain the influence of the seasons upon agriculture; in Medical Institutions so situated, and in such mutual correspondence, that they can observe and record the general movement of mortality and disease."

8. "In free schools for the ordinary branches of common education, and for instruction in agriculture, and in the common arts and trades."

9. "In academical institutions for the promotion of every kind of knowledge, for the removal of prejudices, and for stimulating emulation."

10. "In the free publication of books, only so controlled as that the reputation of the people, good morals and the public peace, may have nothing to fear."

11. "In the liberty of the press, to the credit of which Independence is necessary."

12. "In sending men of skill and science to every part of the world where information useful to commerce and industry may be obtained, that all the discoveries, inventions and useful processes, may be immediately introduced at home."

These twelve propositions stand first in the Table under the heads of Power and Knowledge. There are twelve more heads, under which are 42 propositions. Among which it may be noted is one proposing a repeal of all restrictions upon rates of interest; one to allow the precious metals to fluctuate according to their market value, without fixing that value by a law of legal tender; one providing for restrictions in the commerce of gold and silver, and of drugs and medicines; one for securing patent-rights and also copy-rights; one for uniform weights and measures; one regulating the post-office; one for a special mining code; one upon the subject of the locality of factories, the operation of which may be prejudicial to the health or comfort of those residing in the vicinity; one limiting the quantity of ground which may be held for the mere purposes of game; and the surface of water which may be appropriated as a fishery."*

* We add some specifications in which governments intervene to the injury of their people.

1. "In the imposition of taxes so heavy as to diminish disposable capital, hinder improvement and check production."

2. "In the bestowal of public funds upon monastic corporations, which keep men's tongues employed instead of their hands; in which men live in happy idleness, and aspire to wealth after having made a vow of poverty; insensible on the one hand to all improvements, and on the other, persuaded that they can acquit themselves of what they owe to this world, by bills of exchange upon the world to come."

3. "In the exemption from taxation of the property of the nobility and clergy, casting that much greater burden upon the other classes, and rendering the nobles and priests, as a class, without stimulus to production."

The vast work of Gioja is wholly unlike any of the great works upon Political Economy in French, English, or German. It discusses the same topics, but always with a practical view, and the only pretensions to science is a scientific arrangement of the subject. He speaks at all times of an art, the art of administering a government, and in his hands the subject in no place assumes the form of an abstract or experimental science. His leaning is undoubtedly to the system of industry in England at the period of his writing, from 1814 to 1819.*

4. "In imposing burdens of public services upon individuals and classes, without regularity or justice in the apportionment."

5. "In compensating judges and officers by fees levied upon the parties litigant, whereby it is made the interest of officers to favor litigation, and promote disputes in place of allaying them, and whereby one or both parties are often wholly ruined."

6. "In allowing the existence of the Inquisition, which promotes genuflection instead of preaching, which lets him alone who robs, and persecutes him who thinks: which is equally the foe of kings and people, and inflicts punishments severe in proportion to the refinement and moral worth of its victims."

7. "In permitting false miracles and superstitious impostures to be used in leading people astray, &c."

8. "In permitting occult arts, magic and astrology, to be practised to the injury of the weak and unwary."

9. In allowing Monastical Institutions to be charged with the business of education, whilst they are strangers to the wants and ideas of the mass of the population, to the affections and habits which govern them; that is, committing those who have eyes, to be educated by those who are blind."

10. "Relates to the *Index Expurgatorius.*"

11. "Taxing all sorts of printing, rendering books, &c., dear, and diminishing the number of readers."

12. "In permitting various orders of monks to traverse the country, vending superstition and ghostly terror, receiving corn and wine in exchange, a contract in which there is great loss, because one part gives a real value, the other, only a shadow."

* Gioja is called the Colossus of Political Economy in Italy, and it is believed his work has had a great share in the reforms which now distinguish the public administration of Sardinia, a country in which more freedom, more firmness, and greater intelligence has been exhibited by the government in the last few years, than in any other existing nation. Let the King of Sardinia be awarded a place among kings according to his real merit, and who could stand before him? There are some who might surpass him; we trust they may. At present he stands first as a good king, — the real father of his people.

A bibliographical notice in Blanqui's History of Political Economy, says of Gioja's great work: — "It would appear long, if the author, who was a man of fine mind, had not made it a real encyclopedia of Political Eco-

It has not been our intention to notice specially American writers upon Political Economy. For the most part, they have assumed that the science was settled, and to be found in the works of Adam Smith, J. B. Say, and a few other writers; these productions are chiefly prepared by Professors, and intended for the use of Colleges. The object of the writers was not so much original research, as the making the best use they could of the materials on hand. To examine and appreciate those American Political Economists who have left the beaten path, would require both time and space, which, as the task does not come within our plan, we cannot now spare. Without prejudice to others, we may refer specially to Carey, Raymond, Rae, Colton, and E. Peshine Smith.† Of these, one has made himself so widely known, both in Europe and America, that we cannot, even in this brief reference to our Economists, omit a special notice. HENRY C. CAREY inherited from his father, Mathew Carey, a tendency to Economical studies. The son, however, departed, in his early career, from his father's views, and published several works decidedly in the traces of the Say School. Severe thinking, however, and close observation of the progress and condition of nations, carried him clear of the fallacies of the science of wealth. Mr. Carey became an original writer of such power, that his merit was soon acknowledged, even by those who disputed his doctrines. To show how completely he was emancipated from the narrow views of those who confine the subject to wealth, we need only point to the table of contents of his "*Past, Present and Future*," where we find that two chapters of fifteen are on the subject of wealth. We see there, — "Man and Land;" "Man and Food;" "Man and his Standard of Value;" "Man and his Fellow-man;" "Man;" "Man and his Helpmate;" "Man and his Family." It would be difficult to present a stronger contrast than is offered by this mode of considering the subject of Political Economy, and that pursued by J. B. Say. Mr. Carey's more recent works have been translated into several languages, and are

nomy, rich in documents the most precious, and in citations the most curious. His criticism is severe, and respects not even the highest. Adam Smith and J. B. Say have in turn received the fire of his epigrams. He is the Geoffroy of Political Economy; his darts are chiefly pointed at those who are not of his own country, and yet his great erudition gives his criticisms every appearance of justice. His work is too little known and studied in France."

† We do not regard Francis Lieber as a writer upon Political Economy. His distinguished writings occupy another field. We imagine that he is too little satisfied with their doctrines to belong to any of its Schools.

employed as text-books in several of the European Universities. He has, in fact, placed himself at the head of a School of Political Economy highly respectable for intelligence and numbers. His writings upon the subject of Banks, Credit, and Money, have been especially appreciated. Differing widely upon many points from Mr. Carey, we yet feel bound to say, that among those who are now engaged in the work of perfecting this science, he must be placed in the first rank. To the future belongs the task of awarding the prize of complete success to him who shall surmount difficulties which have hitherto baffled the efforts of men of as great and varied powers of mind as have ever been brought to bear upon any subject.

Carey and McCulloch, both with great knowledge of details, unite in regarding the subject from a practical point of view; but, while McCulloch gives himself little concern about the formula or strictness of science, Carey persists in the belief that Political Economy is susceptible of being reduced to the form of a pure science. In this respect Carey partakes of the faith of Rossi and Senior, without, however, using the same elements. His science, when completed, from present indications, will not correspond in form or statement with the system of either. We cannot doubt that if a pure science shall ever be developed and universally received, Carey will be found to have contributed his full share to the work.

It is a fact of special notoriety in the history of Political Economy, that whilst its great authorities differed both upon the elements and the nature of the science, upon its laws and upon its applications, and whilst taken as a whole, no subject could be more unsettled, and no instruction more unsatisfactory, it was thrust upon the attention of legislators and statesmen, with a zeal and perseverance which only the clearest demonstrations could have warranted. Whether the disciples of Say, who were most conspicuous in this pressure upon public men, were merely inspired by confidence in their doctrines, or were actuated by the desire of promoting the science by a course of national experiments, may never be known. As Say had proclaimed the science to be one of experiment, it is most probable that the experimental career was the dictate of that School. Yet how little was there to justify the supercilious tone which has been adopted towards those who are inclined to doubt both the soundness of their doctrine, and the wisdom of its teachers. These pretensions have had more sway than was due to them. There has been an increasing effort of these theorists to influence governments, and control society, for the last half century. France, Germany, and the

United States, have been the chief theatre of their efforts. Russia broke away from them in 1821, and applied her whole attention to building up her infant industry and civilization, and with a success which all the world has seen and acknowledged. It is true, neither France nor Germany, nor the United States, have given their entire sanction to this divorce of wealth from politics, morals and religion, because men in power and with the responsibilities of government upon their shoulders, however strongly urged in this false direction, could see mischiefs in the path; and however misled by theory, could not but hesitate to adopt a policy of which the first step portended ruin to multitudes. In this state of mind, the governments of these countries have merely inflicted upon their several populations, the very great evil of an uncertain and fluctuating industrial policy. They have appeared to falter undecided between the authoritative demands of the so-called science of Political Economy, and what appeared to be the plain dictates of common sense, in regard to the interests of the people. The mischiefs of this halting between two opinions it is impossible to weigh, but they have been an obstacle to the progress of human welfare, fearful to contemplate.

Unhappily for the cause of truth and sound statesmanship, Malthus' theory of population intervened in the same half century as a prop to the theorists in Political Economy. As the latter desired to build up a system of wealth, industry and trade, distinct from political, moral and religious considerations, that is apart from the highest human interests, this theory of population appeared to justify the attempt, by proving that men were coming into the world too fast for its capacity to feed them, and propounding as a remedy for this undue obedience to the command, to "multiply and replenish the earth," starvation for those who had already "come unbidden to the banquet of life;" and some sufficient check to such multiplication of human beings hereafter. The effect of these two theories in a vast number of minds, was to accomplish an entire severance between the industrial interests of men and Christianity. In other words, neither kindness nor charity, nor high moral interests, nor religion, had any voice in the view of such men in adjusting the industrial position of that immense class of men who not only work for their own living, but actually produce the articles by which other men live. Whatever of truth may have been mingled in their views, there could be no safety in their conclusions. Their starting point of wealth could not, by any possibility, be a logical, any more than a humane guide to sound conclusions.

The absurdity of divorcing wealth from its indispensable union with human interests, and from its dependence upon considerations and motives higher than wealth, is, in no aspect, more striking than in the attempt to separate it from national policy and politics. Whether this serious mistake arose from the exigencies of logic, or from neglecting the distinction between science and art, it was equally fatal to clear perceptions. The assumption that the whole range of interests and subjects usually embraced in Political Economy, that is, all that relates to industry, to trade and social amelioration, should be withdrawn from the domain of politics, and from the discretion of statesmen and legislators, and be committed to Political Economists, was so bold, if not so presumptuous, that it could never have been made, except by men laboring under some great delusion. And when we reflect upon the extremely unsettled state of the science, by the light of which, Political Economists in their closets were to decide upon the well-being of millions upon millions of people, and upon the fate of nations, we cannot but wonder that such an idea was ever entertained for a moment by men of intelligence. Yet this doctrine has had its day, and even now prevails to some extent. There is a certain order of minds, which, abhorring details, and feeling unable to grapple with them, gladly takes refuge in rules and generalities; and to this must belong those who imagine that the science of Political Economy is entitled to take precedence of political wisdom and experience.

Nations are associations designed to obtain and realize all the advantages which united power and wisdom can secure for a people. However this object may be modified or limited by forms of government, or ancient customs and legislation, the same great motive remains. The legislation of civilized countries, the skill, knowledge and experience of statesmen, are, or should be, chiefly directed to this point. No government is so restricted in its powers, as to be a mere negation in regard to the social interests of the country, and none should be so blind as not to see that it must be vain to attempt securing any higher interests of a people, while their material or industrial interests are neglected or suffered to languish. The extent to which governments have already gone, and must necessarily go, in protecting and promoting industry, clearly contradicts the idea, that men can be let alone to manage their private business entirely in their own way. Such is the legislation in regard to corporations, partnerships, banks, brokers, railways, canals, roads, mechanics' liens, apprenticeships, inspections, patent-rights, copy-rights, hours of labor, licences, auctions, conveyances of real estate, coinage, weights and

measures, promissory notes, and insolvency; all such enactments, of which there is a vast mass, are designed to regulate the course of business, and control men in their private affairs. The extent to which this intervention may be advantageously carried, is not, and cannot be determined in advance, but must be left with the institutions of a country, to the sound discretion of those in whom its power is vested.

Every nation must have a system, mainly, its own. It is literally impossible, that a population occupying an extensive territory, can be dependent upon other countries for any considerable portion of its consumption, without great sacrifice. However one country may be disposed to look to others for its supplies, it can only obtain them to the extent that other countries need its products. Its consumption will then be, not in proportion to the power of domestic production and the peoples' wants, but to the desire of other conntries to have their commodities. In point of fact, it is found that every nation mainly supplies its own wants. This country is the most profuse consumer of goods manufactured and grown in other countries, of any in the world. We import nearly ten per cent. of our consumption; the imports of Great Britain are equal to ten per cent. of her consumption, but a very large proportion of these imports consists of cotton, wool, silk, and other raw materials of those manufactures, which form the bulk of the exports; the imports of Belgium, including raw material, are also ten per cent.; those of France, raw materials included, scarcely exceed five per cent.; but Russia, Austria, Germany and Italy, do not import one per cent. of their consumption. In looking then at the system of domestic industry, by which the wants of a people are mainly supplied, the portion brought from other countries may be left out of view, whilst the attention is specially fixed upon the mode in which from ninety to ninety-nine per cent. of the commodities consumed are produced. The foreign trade, its object, scope and interest, can be better understood after what concerns the home industry is fully apprehended. And it cannot be doubted, that the industry on which a people are dependent for ninety to ninety-nine per cent. of their consumption, must be a more important interest than that which furnishes only from one to ten per cent.

Four-fifths of every population are engaged in the actual work of production. Food, raiment, habitations, and the furniture within them, are the chief objects of their labor. The other fifth is made up of classes not actually engaged in this work of production, but necessary for the proper constitution of civilized society; this class furnishes the officers of government, men of the professions, of science, and of every

intellectual calling, all who minister to mental gratifications, merchants of every grade, and those engaged in the business of transportation by land or sea; to these, we must add the men of capital, who live upon invested wealth, contributing in no way actively to the general welfare; and the paupers and criminals, who are a dead weight upon society.

It is apparent, at the first glance, that there is a state of mutual dependence among the millions thus classified. Every individual receives for his own consumption some of the labors of all the others. The agriculturists, manufacturers, and mechanics, are the sole producers, but they cannot carry on their work without the aid of the others. These producers are also dependent upon each other. This whole scene of industry, production, and mutual dependence, resolves itself in its largest aspects, as well as in its minutest details, into an exchange of labor. Knowledge, experience, and civilization, have brought about such a division of labor, that scarcely a man produces any special commodity. Men contribute their labor, and skilful combinations convert the results of this divided labor into the commodities which men need. To avoid complication, we may overlook money and other devices by which men exchange their individual labor for the products of the labor of hundreds of others. The system of domestic industry and internal trade is that by which men produce and exchange commodities and services with each other to the extent of from ninety to ninety-nine per cent. of their consumption. They accomplish this by a price fixed upon every commodity and every service, which price is expressed in money of account. It is obvious that the peculiar circumstances of every country must combine to fix an average price of labor in each country, through all the various ramifications of employment and industry. It is, in fact, known that every country has a different price of labor, and every different scale may be found, from one dollar per day in the United States, to five cents per day in India. The rates of labor in any country must mainly regulate the price of all its commodities and all the services which men render to each other, and also the expenditure of government. If this great internal exchange is favored by public authority, and facilitated by the removal of all obstacles and friction, it may move with that regularity which is indispensable to the general well-being; the comfort, and welfare, nay, the lives of multitudes, are dependent upon it. The special scale of prices following upon the price of labor, is one which tends towards justice for all, for all have a voice in fixing the price of their own labor or services. If undisturbed, this scale of prices will bring a fair remuneration to all; the agricultu-

rists, manufacturers, and mechanics, will estimate their respective commodities, or the labor which produced them, by the same money of account, and at the same average price of labor; their exchanges then, as among themselves, will be just. In proportion to the price of the articles of consumption will be the taxes of government, the profits of merchants, and the charges of professional men and others for their services. So far as such a complicated adjustment can be so, it tends to become fair and complete. The prices may be high or low compared with those of other countries, but as among the parties chiefly interested, they are neither high nor low, but right, and cannot be suddenly changed without immense confusion and injustice.

The most important consideration then in reference to this scene of domestic labor and production, is not the nominal prices or rates at which their mutual exchanges are made, but the efficiency and skill of the labor, the obtaining the largest quantity of commodities, and of the best quality. But even this result is subordinate to the consideration of the distribution. The great aim then, is a large quantity of commodities of the best quality, produced under such conditions that the laborers or producers receive their full share of these commodities as a compensation for their labor. There need be no limit to that consumption which depends upon mutual industry, but the productive power of the labor. It is the interest of governments, of capitalists, of employers, and of all the useful, though not directly producing classes of society, that the work of production should be carried to such a point of success, as will ensure a high degree of comfort to the producing classes. Active industry sharpens the intellects, and quickens the energies of the producers, that is, of four-fifths of the whole population, and thus carries vigor and intelligence into every branch of production. The degree of skill and knowledge necessary to produce any article, is a productive power, which may be increased indefinitely by keeping it in action, and by improving the physical and mental energies of those who wield that power. The whole industry of a nation constitutes a system of these productive powers in a state of mutual dependence; for they feed upon each other; each prospers as the others prosper, and all suffer when one languishes. The individuals of every class, or which make up any particular productive power, are consumers more or less of the products of every other class. The efficiency of their power depends greatly on their vicinity to each other, and the facility with which they communicate. Agriculture flourishes in proportion to the vicinity of its consumers; a district which can feed a million of men, diffused over its own

surface, besides its agriculturists, could not sustain 250,000 men at the distance of 100 miles. That agriculture, which is provided with a market close at hand for its entire product, the heavy and perishable, as well as that which would bear transportation, is many times more productive than that which has only a distant market. Land in the vicinity of large cities, or upon which there is a numerous population of manufacturers, is five or six times more valuable than that where the population is sparse, and agriculture confined to the cereal or light crops. But whether the population of a country is heavy or sparse, its industry, if active and profitable, is a system bound together by common interests, and its prosperity and progress depend upon the strength and efficiency of that system as a whole. A prosperous agriculture induces a large consumption of clothing and furniture, and a large demand for buildings and for agricultural implements; activity in manufacturing and in the mechanical arts, enables those engaged to consume freely the products of agriculture; the activity of the whole of the producing classes is reflected upon every other class and interest, with like benefit to all. Now this whole system of home industry, existing under the same laws, under control of the same government, and under the watchful eye of every true friend of the country, can be promoted and aided as a whole, only by a public policy which extends to the whole, or by measures strengthening and promoting particular branches of industry, important to the system as a whole. In such a system, if the rates of labor are high, the prices paid for commodities may appear high compared with those paid for corresponding articles in other countries; but the criterion of the benefits enjoyed by the inhabitants of two countries, is not the price of the articles they consume, but *the quantity* of articles they consume; the *price of labor* and the price of goods, must be taken together. That system of industry is the best which affords the largest consumption to the masses, and the best opportunities of moral, mental and physical improvement. Such a system can only be secured by wise legislation, by a true regard for the rights of humanity, and a true conception of the utility and necessity of employing national power and unity for this greatest national object.

It is not, however, enough that the producing classes should be industrious: it is indispensable that there should exist a distributing or commercial agency. This is a task so complex, involving so much labor, skill and intelligence, that it gives employment in various ways to the tenth of a population. The commodities which are the product of home industry, and designed for consumption, are purchased by merchants,

assorted, carried to their various destinations, or distributed over the whole country, as the demand for them indicates. This necessary agency is a heavy expense, and a severe tax upon producing industry, but it is unavoidable, because the goods cannot be consumed unless they are distributed. It is cheaper for consumers to pay others for distribution, than to attempt it themselves. It is, nevertheless, an agency, and however needful, it should do its work at the least expense to those for whom it acts, which is practicable, consistent with ample compensation to those who are engaged in it. It differs from producing industry in this important respect, that while the one may and should be developed to the highest point, the other should not be developed nor increased beyond the point of performing adequately a limited task. It is desirable to keep the agency effective, but it should not in expense or numbers engaged, transcend the limits of economy or necessity. There are strong tendencies connected with the business which beget many abuses and much hardship; facts which are not to be overlooked nor underrated in every consideration of the commercial agencies.

It being the interest of the merchant to purchase at the lowest rate he can, whatever may have been the labor bestowed upon a commodity, and whether the producers are remunerated or not, and to sell his commodities at the highest rate he can obtain, whether the consumers can afford to pay or not; so far as this temptation influences the action of merchants, it deranges the regular exchanges of society, and is highly mischievous. It weakens productive power by taking from the producing classes, not merely some portion of that wealth which belongs to them, but often withholds from them the comforts, and even the necessaries of life. And a further evil is, that the greater the accumulation of wealth in the hands of merchants, the more able are they to avail themselves of their position, to exact great profits or impose heavy burdens upon industry. Rich merchants do not indicate a rich population, for the annual gains of merchants are taken from the annual labor of the people. They can refuse to purchase from those who are under the necessity of selling, until they make their own terms of purchase; they can retain goods which are in great demand, until they make their own terms of sale. Where there are such temptations, many will yield to them. The whole subject is worthy of attention, and should, at the least, be the object of a right public sentiment.

But industry encounters, in the progress of this exchange of commodities, and in the operations of the commercial agency by which it is effected, other checks and obstacles still more important. And whilst

it is true that production owes no little of its success to the aid of merchants and the great capital which they accumulate, it is very evident that commercial fluctuations, speculations, and revulsions, inflict more serious injuries upon labor than all other causes together. Fluctuations in price may, and sometimes do, proceed from other causes, but they are generally due to irregular commercial movements. These fluctuations and irregularities are calamities to labor, disturbing its progress, and checking the regular process of consumption. The whole credit and money system, the whole banking and paper currency system, intervene in the operation of this commercial agency. A vast amount of legislation has been expended upon these branches of trade, and yet it is conceded that all efforts have hitherto failed in reaching the true policy. We venture to suggest, in passing, that the main imperfection of banking and money systems, and of the regulations which have been applied to them, is, that they have been regarded too much as independent systems and subjects, and not merely and strictly in the light of agencies of the industrial system. They have no independent aspects; they are expensive agencies, to be reduced or got rid of whenever possible. The work which they are called to assist in performing is simply to enable men to make their exchanges of labor, commodities, and services with each other in the shortest time, at the least expense, and with the least trouble or friction. The credit system, in its largest sense, is that by which payment for commodities sold is deferred for the time expressed on the face of bills of exchange and promissory notes, until, by the operation of bank credits, checks, and book accounts, the debts are set off one against another. The whole transactions between two countries are settled by set-off on the books of the drawers of bills, except the balance, which may fall either way, which remains to be paid. It is the same between different parts of the same country, and it is the same between individuals. A man may, without money or bank-notes, have all the debts he owes paid by the debts which others owe him: the balance only remaining to be paid. It is this set-off which our present banking system and exchange operations accomplish, but with an amount of friction and fluctuation which belong not to the thing done, but are inherent in the mode of doing it. That this vast system of credit, founded on the actual sale of commodities, the consumption of which must proceed year after year with inevitable certainty, and the payments for which are as certain as that commodity and labor will pay for commodity and labor; that in this country all these thousands of millions of credit should, like an inverted

pyramid, be made to stand upon less than a hundred millions of specie, is an absurdity too often felt and too little comprehended. It is not well understood that the banking system of this country is not the credit system, it is only one of its chief instruments. However, legislation may be needful to restrain the banks or prevent abuses, it should not affect the credit system at large. The banks of this country have seventy millions in gold, and if a quarter of it be taken from them the mere removal of this gold will inflict a positive loss upon thousands of millions of legitimate credit operations, in no way connected with the movement of the gold. Although banks have in past times been of eminent advantage here, it may admit of question whether, constituted as they now are, their usefulness is not more than neutralized. We refer not to their management, nor even to their abuses, but to their constitution. The legitimate credit operations of the country are mainly, and, in some respects, with great advantage, performed on their books; yet, by this means so brought into contact with bank notes and bank circulation, as to be subjected to the same legislative restraints. There is no reason why bank credits should be payable in gold or silver, however necessary it may be that bank notes should be so payable. The Clearing House in London pays off millions of sterling daily by set-off; the banks in New York and Philadelphia do the same thing; individuals in all these cities are constantly doing the same thing on the books of the banks. The efficiency of this set-off is in no way dependent upon gold or silver. The whole movement of specie in Great Britain or in the United States, does not amount to one mill per cent. of the whole payments.

The credit system of the country should not be saddled with the whole burden of the banking system. No doubt the latter has been, and is at times, a very efficient implement of the credit system; but banking is a corporate or private business, subject to very great abuses, and necessarily placed under strict supervision and rigid restraints. The credit system is the spontaneous action of individual confidence between men over the whole country. It is a great public concern, an interest which extends, until by minute ramifications, it reaches the whole population. It is not only not dependent on the present banking system for its successful operation, but it can have no worse injury inflicted upon it, than being subjected to the inflations and contractions to which the banks are obliged to resort for profit and for safety. Let the credit system rest simply on the industry of the country, and on the mutual confidence of the people, and let such modes of adjusting its

accounts be devised, as will not fall under the influence of bank fluctuations.

We have seen that, apart from foreign trade, the population of every country supply their own wants to the extent of from ninety to ninety-nine per cent. of their whole consumption; that the business of furnishing this supply is by extreme division of labor, apportioned among four-fifths of a people; that their internal trade consists in distributing these products of industry; that this distribution is substantially an exchange among the whole individuals of a population, of products for products, or products for services, or, in the last analysis, of labor for labor; that this exchange is made by the agency of merchants, and takes the shape of sales and purchases, that is, leaving out of view the medium of exchange, men pay with their own labor for what they need of the labor of others; that all the agency of merchants, brokers, banks and credit, is merely a means of effecting this exchange; that the commodities or labor thus exchanged, are estimated at prices expressed in money of account, which prices are mainly governed by the price of labor; that upon the regular movement of this exchange, mainly depends the well-being and comfort, the energy and productiveness of labor; that if this movement proceeds rapidly and undisturbed, production and consumption will go hand in hand, until individuals reach the full power of both, and a greater degree of general comfort and competency be enjoyed than has yet been known. We have seen, that one of the great disturbing causes of this system of domestic distribution, of the comforts and necessaries of life, was found in the occasional derangement of the commercial agencies by which it is effected; and we have remarked upon the necessity of reforming that agency with a view to the interests of humanity.

We now proceed to consider another disturbing cause. We remark first, however, that neither the labor nor the products of labor, nor the distribution nor the means by which it is effected, are the primary objects of consideration. The first consideration is the people, then, in their order, their labor, their products, and the distribution of them. The whole object of their industry is their well-being. As they can only purchase by their own labor what they need of the labor of others, it is absolutely necessary for all to work; whatever deprives men of the opportunity of labor, deprives them of bread, and of every other comfort and necessary of life. Men consume freely and largely when they are fully paid for their labor; that is, when they can purchase for their labor an equal quantity of the labor of others; in this case, the nominal rate is of little account, because it is labor for labor. If the 25

millions of people in the United States, are consuming ten dollars worth each of domestic woollen goods annually, upon the manufacture of which, 250,000 of the people are dependent for their entire living, and if it be found that these same goods, which cost at home three dollars, can be purchased at two dollars per yard in Europe, then at first sight it would seem but reasonable, that the cheaper article should be imported from Europe. To import 250 millions of dollars worth is impossible, because we cannot pay for them, as we are constantly importing more than we can pay for, and that sum is the figure of our whole imports. We import then, say ten per cent., or 25 millions of dollars worth of woollen goods, and sell them in our great commercial marts, where prices are chiefly made, thirty-three per cent. cheaper than the domestic article. Consumers fly to the cheaper article, and the domestic goods must come down to the same price. The annual domestic product must fall in price thirty-three per cent., and instead of bringing its manufacturers 250 millions, it will only bring them 166 millions; their consumption of the products of others must be reduced one-third. The effects of this reduction will extend until they are felt throughout a whole nation. The importation of 25 millions of cheaper woollens, would thus inflict a direct loss by reduction of price upon the woollen manufacturers of 83 millions of dollars, and this loss is multiplied many times by indirect results in the reduction of consumption. The average consumption of cotton goods is about the same as that of woollens, and the same illustration is applicable. The introduction of cheaper goods, of a kind which our country must, after all, chiefly manufacture for itself, is introducing against our own labor, the price of which is one dollar per day, the labor of other countries, the price of which is less than half a dollar per day. This cannot but inflict a serious blow upon the whole system of our internal industry, and if continued, must lead to the utter prostration of the domestic manufacture thus attacked, and the utter poverty and ruin of the hundreds of thousands depending on it for a living. The effect of this in the case of woollen goods, would be a reduction in the average consumption of woollens, of from ten to five dollars, for the whole population, and a rise in the prices above the original domestic rates. Whilst, therefore, it may at first sight appear to be very plainly better to import certain goods which can be offered to consumers at lower prices than the corresponding domestic article, several questions must be asked before such a policy is adopted. As;—will the importation seriously injure any home manufacture? Will it throw many people out of employment? It is a great mistake to suppose that

such measures affect only employers: in woollen and cotton manufactories, there are hundreds of men, women and children, depending upon every employer. If we lessen our domestic production, will not our increased demand produce speculation, and a higher foreign price for the article imported? If we resolve upon importing our whole supply of a necessary article, are we sure that we can increase our exports to a sufficient extent to pay for the additional importation? Are we sure that we shall not, by this policy, deprive the poor of their supply of a needful domestic product, and convert it into a foreign product, chiefly supplied for the consumption of the rich? What mode can be adopted to secure a supply of these needful articles in time of war, or interrupted commercial intercourse? All these, and many more inquiries, should be made and faithfully studied, before any branch of domestic industry is broken up, under the temptation of buying cheaper goods abroad. On the contrary, it should be well understood in every country, that many sacrifices may, with advantage, be endured, to introduce the manufacture of any article of general consumption, even though it cannot be made as cheap as elsewhere. A manufacture can only grow and flourish in a country where the people are willing to consume its products, and they can only consume them when their labor will purchase them. A people can consume largely of a domestic product even at a high price, but may not be able to consume even a small proportion of a corresponding foreign article at a low price. Let any one think of the innumerable articles which figure in our internal trade, and which go to pay for, as well as to make up our consumption of home commodities, and he will see the difference between purchasing abroad and at home.

The Indian corn, hay, oats, butter, and potatoes of our agriculture, are worth at home more than double the value of our whole foreign imports. If our farmers can exchange these and such articles for the manufactured products they need, their consumption will be limited only by their industry. If they derive their manufactured commodities from foreign countries, they can consume only to the extent to which their products can be exported in payment. Pennsylvania can consume goods manufactured in New England freely, even at much higher prices than the foreign article, because she pays for them in coal, iron, Indian corn, oats, and flour. The prices on both sides being adjusted at the dollar a day average, the exchange is equitable, and proceeds to the full limit of the wants of the parties. An interior county in Pennsylvania whilst a purely agricultural county, has but little that can find its way to foreign countries to pay for manufactured goods. But when furnaces

are built, and hundreds or thousands of men are employed in mining and making iron, the agricultural commodities which before were produced in small quantities, or not sent abroad on account of their bulk or perishable nature, are now sold and consumed on the spot. These agricultural articles being converted into iron, can be carried to any of our cities, or to New England, and the value brought back in any desired article of consumption. The people of that county, before confined to the products of household industry, now appear in the very best products of American manufacture. The price of this exchange is not important; it is only necessary that it should be fixed upon the same elements, and that it should be satisfactory to both parties. Goods are cheaper in England, but the hay, oats, butter, or turnips of an interior district cannot be sent there to pay for them; neither can they send iron: iron is cheaper in Scotland, but the people of New England cannot purchase iron in Glasgow or Liverpool with the product of their looms or factories.

The worst element which can be introduced into our system of domestic industry is the element of foreign prices. It deranges and diminishes domestic production to such extent, that in many cases it would be very bad policy, nay, great injustice, to the industrial classes, to accept and distribute the goods to every consumer free of charge. The entire foreign trade of the United States, or of any other country, is of small consequence, compared with the regular movement of the labor of the country; 100,000 persons thrown out of employment for a year is a loss to the wealth of the country equal to the value of the whole foreign trade. Yet, so little has this aspect of the subject been regarded, so little has the importance of our domestic industry been understood, that it will be safe to say, that there are more than 500,000 laborers idle, or but partially employed, every year in the United States, because they cannot work in competition with the cheaper labor which is let in from other countries. Our domestic production, now estimated by some at 2500 millions of dollars, might, whether the above be the true amount or not, be increased one-half under a firmly sustained domestic system, and our population, instead of consuming one hundred dollars worth for each head, might consume a hundred and fifty dollars each. It would be the result of a domestic exchange of commodities, the prices of which would range according to the domestic price of labor; and the benefits, instead of being confined mainly to the rich, would extend to every grade of laborers. The effect of foreign importations upon this great system is to check, derange, and diminish

the domestic production to many times the amount imported. We receive from abroad 250 millions worth of foreign goods, and the people probably make and consume 500 millions worth less than they would if they imported none at all. We believe that a domestic system of industry, thoroughly built up and defended, would in the end sustain a larger foreign trade than can ever be reached by the path of national competition. Foreign trade should be the overflowing of domestic industry, and not a machine to cramp its powers and paralyze its efficiency.

We are not unfriendly to foreign trade or international commerce. We advocate not the prohibition of foreign commodities, nor high duties upon foreign goods. We merely avoid beginning at the wrong end of our subject. Knowing that the people of every nation must provide mainly for their own wants, that they must live mainly upon the products of their own industry, that the labor which supplies a civilized people with food, raiment, shelter, and furniture, suitable for civilized men, must be subdivided to be efficient and productive; that a whole population can only be abundantly supplied by a mutual exchange of labor or its products, by which each man has an opportunity of exchanging his own labor for the articles he needs; that production can only be large and consumption great where the consumers are near to their food, that is, where agriculturists, manufacturers, mechanics, and laborers, are not too widely separated, and where the other classes are near enough to the agriculturists to consume every product of the soil which skilful farming produces: we believe the first question in regard to any nation is not whether its foreign trade is free, whether duties upon foreign goods are high or low, but whether its people are well supplied with the necessaries and comforts of life; whether domestic industry is so arranged that no considerable number of persons willing to labor are without employment; whether all are able, whilst earning a comfortable subsistence for themselves, to contribute by their labor to that abundance which is enjoyed by all; these are more important considerations than any belonging to foreign trade, or duties, or tariffs.

If we have failed in making our views of the importance and efficacy of a system of domestic production plain and acceptable to the common sense of our readers, we shall resort to an illustration, for which we need not leave our own country. The great planting States of our confederacy have not cherished, and do not possess, what we call a system of domestic industry. They rely upon trade to carry off their surplus products to the North or to Europe, and bring back to them an

equivalent in such articles as they require. Theirs is not a domestic system. That we may see the effects of the two systems thus in operation side by side, we shall place some of the results face to face. We compare the Eastern and Middle States with the Northern and Southern; that is, Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia, with Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Arkansas, and Tennessee. We take the facts relied upon from the census of 1850:—

	Eastern and Middle States.		Southern and South-western States.
Population	9,353,104	.....	7,273,954
Territory in square miles	179,662	.....	733,144
Land under culture, acres	87,350,000	.....	42,000,000
Valuation of cultivated lands	$959,000,000	.....	$243,000,000
Average value of cultivated land per acre	$24.17	.....	$5.80
Annual product of manufactures, mining and mechanic arts	$746,715,000	.....	$79,958,000
Average crop per acre of Indian corn, bushels	27	.....	17
Average crop of Irish potatoes; bushels	119	.....	116

Let this comparison be extended to the whole range of agricultural products, including cotton, sugar and tobacco, the staples of the South; it will be found that, though the labor of the South is mainly applied to agriculture, and though there is in the South nearly five millions of acres more of land under culture, yet the product of the two regions is widely different in value, a great advantage in point of quantity and variety being on the side of the North; a variety not only conducive to comfort, but a great stimulus to exchange and increased production. The South, with the advantage of a superior climate, more fertile lands, a larger breadth in cultivation, and more labor applied to it, is only able for the supply of all its wants to equal the agricultural products of the North; and is, therefore, only able to import from the North and from Europe, to the extent she can spare of that agricultural product. The Eastern and Middle States have, however, in addition to their agricultural product equal to that of the South in value, and far superior in its fitness to promote human comfort, been able by their own labor, to produce a quantity of manufactures valued at $746,715,000. This is clear gain to the people of the North over those of the South. By mingling manufacturing with agricultural industry, Northern labor has

been so stimulated, and so aided by steam and water-power with increasing skill and intelligence, that the product of Northern industry is now more than double that of the South.

Imperfect as the figures of the last census are admitted to be, and especially unfavorable to the North, from the increased difficulty of reaching all the variety and ramifications of Northern industry, enough is shown to satisfy the most cautious inquirer, that the agricultural products of the two regions, now the subject of comparison, are about equal for each head of the population. This will not be thought strange, when we note that the crops of hay, wheat, wool, and the products of the dairy in the North, together exceed in value the great staples of the South, cotton, sugar, rice and tobacco. If we take the agricultural production in these two great sections at $60 per head, which was about the average of the United States in 1850, we find the whole agricultural product of the South and South-western States, to be worth $435,180,000. To this, add $79,958,000, the value of Southern manufactures, and we have the sum of Southern industry, $515,138,000; which, divided by the population of 1850, gives an annual consumption for each individual of $73.59. This includes, of course, the value of all articles imported from the North, or from any other part of the world, for they were obtained by the export of a portion of the agricultural commodities valued at the above sum of $435,180,000.

At the same rate of $60 per head of the population, the agricultural production of the Eastern and Middle States, amounts to $561,180,000. Add to this, the product of their manufacturing industry, stated above at $746,715,000, and we obtain the sum of Northern industry for the same year, $1,307,895,000; which, divided by the population of those States, gives a consumption for each individual of $145.32, or nearly double the consumption of individuals in the South. This is a result due chiefly to a domestic system of industry, by which the articles consumed are mainly supplied at the place of consumption; it is due to the difference on the one hand, between sending the raw materials of agriculture to a market hundreds or thousands of miles from the soil on which they are grown, between paying for needful articles with the proceeds of such sale; and on the other hand, manufacturing the raw materials where they are grown, and paying for other articles of consumption by an exchange of products of labor between agriculturists and manufacturers.

But the people of the North enjoy another striking advantage derived from their system. The value of their cultivated lands is $959,000,000;

which, divided by the population, gives for each individual of the Northern population, the value of $106. The Southern lands are valued at $243,000,000, which gives for each individual $34.

Without running the parallel farther, which might be done with instructive results through the whole field of Northern and Southern industry, we may sum it all up in a few words.

The North is thrice as rich in land as the South, ten-fold as rich in manufacturing power, and possesses an immense capital, capable of being applied with facility to any branch of industry; a capital for which there is no equivalent in the South. The North is independent, self-sustaining, and powerful; the South is the opposite of this. The North has great maritime wealth and power; the South, nothing of the kind. The North is yearly growing richer; the South, as a whole, is yearly becoming poorer. Northern industry flourishes on the same spot, and its poor lands become richer and more valuable; Southern industry only flourishes on new lands, and its poor lands become poorer.

This comparison is not counteracted by placing the value of slaves to the account of the Southern States. Northern laborers are worth more in the view we are taking, than Southern slaves. The difference is that Northern men are owners of their own labor, which is, in part, the capital we are estimating; and in the South, the labor of most of the laborers belongs to capitalists.

Whatever disadvantages are connected with the labor of African slaves, as compared with that of civilized men of the white race, we are far from believing that the great contrast in the wealth and annual consumption of the people of the North and South, is due to the fact of slave labor. We place it, without hesitation, to the infatuation which possesses the people of the South for foreign commerce,—an infatuation which induces men to act as if exchanging half a million in goods, for half a million in goods, the export and import amounting to a million, were equally as advantageous as the actual production of a million of goods. One Lowell would be worth to the South three times the investment of a similar amount in shipping for the foreign trade, whether clippers or steamers. The great want of the South is not so much the means of sending products to market, as an increase of production and a home market. So long as the South relies upon an European market for cotton, cultivated land there will average not over $6 per acre. When the South manufactures one-half the crop of cotton and the North manufactures the other half, Southern lands will average thirty dollars per acre. If the South will but increase the annual product of her manu-

factures to $500,000,000, the increased price of Southern lands will pay for the whole investment involved in this increased production.

The South has almost every assistance the world can give, to become a people of great wealth and power. These States have it in their power to double the value of their agricultural production, and increase their manufacturing power ten-fold. This could be done in twenty-five years. The result of this policy would be a white population far superior to the present, and a blessing to the African race in the South, beyond any speck of hope now in their horizon. The next generation of slaves would grow up civilized, and being civilized, their masters would emancipate them as rapidly as their best friends could desire. Their owners would find it cheaper to hire them than to keep them, and they would find in them, safe purchasers of their estates. This would be the solution of the slave question. The masters would have been paid for their slaves by civilizing them.

S. C.

PHILADELPHIA, February 14, 1856.

NOTE.

In the apparently hasty survey of some of the leading works upon Political Economy submitted to the reader in the foregoing Essay, we have attempted to give the results of a previous examination of much wider compass. Having had in preparation for some time a Survey of Political Economy, with a view to ascertain its value as a science and as an art, we found it could not be completed short of two volumes. This, of course, included the principal topics of Political Economy, as well as its general scope. The differences of opinion among writers can no more be reconciled upon the subjects of labor, production, value, rent, distribution, money, credit, banking, prices, trade, population, and other important topics, than upon the nature of the science and its general scope. In the further prosecution of this subject, there is no more interesting task than the appreciation of the labors of that very distinguished School of Political Economists which has its centre in Paris. If industry, zeal, talents, learning, and great ability, could have carried Political Economy out of its labyrinth of inconsistencies, these writers must ere now have succeeded. We are indebted to them for the "*Journal des Economistes*," begun in 1841, and now in its forty-sixth volume; it has been conducted with a fairness and ability, to which the most remarkable exception which occurs to us was the attack upon Henry Richelot. Having been a subscriber from its beginning, we can testify to its merits, though we by no means partake of the leading opinions of its contributors. Our casual exception to some of its articles, on a previous page, was not intended as a reproach to the Journal. The same School which sustains this Journal and the same eminent publisher, Guillaumin, has given to the world the "*Collection des Principaux Economistes*," in fifteen large volumes, equal to fifty ordinary 8vo. volumes; the "*Annuaire de l'Economie Politique*," commencing with the year 1844, and regularly continued, being an invaluable repository of economical and statistical information; the "*Dictionnaire du Commerce*," in two thick 8vos.; the "*Collection des Economistes et Publicistes Cotemporains*," in upwards of thirty volumes, 8vo.; and lastly, the "*Dictionnaire de Economie Politique*," in two royal 8vos., of nearly nine hundred pages. This work confers an obligation upon students of Political Economy which can never be too highly appreciated. In the hands of the men who have edited, written, or aided the publisher in the Herculean task of giving to the world such a mass of works, original and selected, upon the subject of Political Economy, it would seem as if the subject, or the science, should have made vast progress. But this great force of talent, this wonderful industry, this mass of publications, have accomplished much less for Political Economy than might have been expected from the power exerted. Read the article, "*Economie Politique*," in the Dictionary of Political Economy, and the complaints of the editor of the "*Journal des Economistes*," at page nine of the number for January, 1856. He laments, that whilst Political Economy speaks by millions of voices in England, only one or two Professorships are devoted to it in France. The Political Economy here spoken of is Free Trade, which, being the true policy of England, is the voice of millions. The millions of France, under the teaching of common sense, reject it. The error of these French Economists is, that they desert the very elements of their science for the sake of Free Trade, which can neither be a principle nor a law of science. It belongs to the domain of public authority and public policy. Their views are thus developed from an unstable element which does not belong to the science. The well-being of men is not to be sought through Free Trade, though Free Trade may be reached through human well-being. The Political Economy of this School "would grind France to powder" as rapidly now as in the days of the First Napoleon. We trust the present wise Ruler of France may see this as plainly as did his illustrious predecessor.

INTRODUCTION.

Et la patrie et l'humanité!

No branch of political economy presents a greater diversity of views between men of theory and men of practice, than that which treats of international commerce and commercial policy. There is, however, in the domain of this science no topic, which, in regard to the well-being and civilization of nations, as well as to their independence, power and duration, presents the same degree of importance. Poor, weak, and uncivilized countries have not unfrequently attained power and wealth by a judicious commercial system, whilst others have sunk from a high rank for want of such a system; nations have even lost their independence, and their political existence, because their commercial policy had not aided the development and the consolidation of their nationality.

In our day, more than at any former period, among all the questions which belong to political economy, that of international commerce has acquired a preponderant interest; for the more rapidly the genius of discovery and of industrial improvement, as well as that of social and political progress advances, the more rapidly is the distance between stationary nations and those which are progressive increased, and the greater is the peril of remaining behind. If in time past it required centuries to monopolize that important branch of industry, the manufacture of wool, some ten years have sufficed in our time to obtain ascendency in the much more considerable manufacture of cotton; and now the start of a few years may enable England to absorb all the flax industry of the continent of Europe.

At no other epoch has the world seen a manufacturing and commercial power possessing resources so immense as those in the control of the power which now holds sway, pursuing designedly a system so consistently selfish, absorbing with such untiring energy the manufacturing and commercial industry of the world, the important colonies, the domination of the seas, and subjecting so many people, as in the case of the Hindoos, to a manufacturing and commercial yoke.

Alarmed by the consequences of that policy, nay, constrained by the convulsions it has occasioned, we have seen in our century, Prussia, a continental nation, as yet imperfectly prepared for manufacturing industry, seeking her welfare in the prohibitory system so condemned by theorists. And what has been her reward? National prosperity.

On the other hand, encouraged by promises of theory, the United States of America, which had made a rapid growth under the protective system, have been induced to open their ports to the manufactures of England; and what fruits has this competition borne? A periodical visitation of commercial disaster.

Such experience is well calculated to provoke doubts of the infallibility which theory arrogated to itself, and of the absurdity it imputes to practice; to create fears lest our nationality be in danger of perishing by an error of theory, like the sick man, who by conforming to a printed prescription died of an error of the press: to arouse suspicion that this boasted theory has attained its large growth only for the Trojan-Horse purpose of concealing arms and soldiers, and inducing us to take down, with our own hands, the walls which protect us.

At least this truth is evinced: during the half century in which this great question of commercial policy has been discussed in all civilized nations, in books and in legislative halls, by the shrewdest minds, the abyss, which, since Quesnay and Smith has separated theory from practice, not only has not disappeared, but has actually grown wider every year. What kind of science is that which sheds no light upon the path which practice must follow? Is it reasonable to suppose that the professors of this science, by the mighty power of their intelligence,

have everywhere become exactly acquainted with all that pertains to social life and industry, whilst the men of the world, mingling freely in all the outward concerns of life, unable to comprehend the truth discovered and brought to light by the former, have continued from generation to generation to mistake evident errors for truth? Is it not better to acknowledge that practical men, too much inclined in general to adhere to the actual, would not so long and so obstinately have resisted theory, if theory itself had not been in opposition to truth and nature.

Indeed we do not hesitate to aver that the contradiction between theory and practice in regard to commercial policy, is as much the fault of theory as of practice.

Political economy, in matters of international commerce, must draw its lessons from experience; the measures it advises must be appropriate to the wants of our times, to the special condition of each people; it must not, however, disavow the exigencies of the future nor the higher interests of the whole human race. Political economy must rest consequently upon Philosophy, Policy, and History.

For the interests of the future and the welfare of men, philosophy requires a more intimate union and communion of nations, a renunciation of war so far as possible, the establishment and development of international law, transition of the *jus gentium* to a federal law, freedom of communication among nations, as well in moral as in material concerns; lastly, the union of all nations under some rule of law, or in some aspects of the subject, a universal association.

In the case of any particular people, a wise administration, with extended views, pursues special objects, seeking guarantees for independence and for duration, measures calculated to hasten progress in civilization, well-being, and power, and to improve social condition so that the body politic shall be completely and harmoniously developed in all its parts, perfect in itself, and politically independent.

History, for its part, assists in no equivocal manner in providing for the exigencies of the future, by teaching how, in every epoch, progress, material and intellectual, has kept pace with

the extent of political association and commercial relations. But it justifies at the same time the exigencies of government and nationality, showing how nations have perished for not having sufficiently watched over the interests of their culture and power; how a commerce entirely free with nations more advanced has been of advantage to those still in the first phases of their development; also how those which had made some progress have been able by proper regulations in their foreign trade, to make still greater progress and to overtake those which had preceded them. History thus shows the way of reconciling the respective exigencies of philosophy and government.

But practice and theory, such as actually exhibited, take their sides, the former exclusively for the particular exigencies of nationality, the latter for the absolute requirements of cosmopolitism.

That practice, which is called by the theorists the mercantile system, commits the grave error of maintaining the universal utility and necessity of restrictions, because they have been useful and necessary in certain nations and in certain periods of their development. Its votaries fail to see that restrictions are but means, and that liberty, in its proper sense, is the end. Considering the nation by itself, and not humanity at large, the present alone, and not the future, it is exclusively political and national; it has no philosophical comprehension, no cosmopolitan tendency.

The prevailing theory, on the contrary, as it has been suggested by Quesnay, and elaborated by Adam Smith, is exclusively preoccupied with the cosmopolitan exigencies of even the most remote future. Universal association and absolute free trade, may possibly be realized centuries hence; their theory regards them as realizable now. Overlooking the necessities of the present and the idea of nationality, they lose sight of the nation, and consequently of the education of a nation with a view to its independence. In its exclusive cosmopolitism, this theory always regards the whole family of nations, the well-being of the whole race, never the nation nor national prosperity; it abhors government, it condemns experience and

practice as mere routine. Not considering historical facts, except so far as they respond to its particular tendencies, it knows not or disfigures the lessons of history which are opposed to its system; it is under the necessity of denying the effects of the Act of Navigation, of the Treaty of Methuen, of the commercial policy of England in general, and of maintaining against all truth that England has arrived to wealth and power in spite of that policy and not by it.

Once fully acquainted with what is exclusive in the one or in the other of these systems, we cannot be astonished if, in spite of its grave errors, practice has not acquiesced in any reform proposed by theory; and we shall comprehend why theory has not been willing to heed the voice of history or of experience, or of government, or of any particular nation. If this vague theory has been proclaimed in all our streets and upon the house-tops, and especially among the nations of which it has most endangered the existence, it may account for the decided propensity of the age for philanthropic experiments and the the study of philosophical problems.

But in the life of nations, as well as in that of individuals, there are two powerful remedies for the illusions of ideology, experience and necessity. If we mistake not, the nations which recently hoped to find their advantage in free trade with the great manufacturing and trading powers, are on the verge of important experiences.

It is merely impossible for the United States, if they persevere in their actual commercial system, to maintain even tolerable order in their national economy. There is no effective remedy but a return to the doctrine of protecting their own industry. In vain will the States of the South resist and a dominant party object: the power of events must prevail. We fear that soon or late, war will solve a question which proves a Gordian knot for legislatures. America may possibly pay a future balance with powder and lead; the prohibitions which must accompany war may remedy a defective tariff, and the conquest of Canada may for ever terminate the vast system of English contraband traffic announced by Huskisson.

Would we were mistaken! but if our prophecy should be fulfilled, the theory of free trade must be made accountable for that war.* Strange irony of fate! if a theory, based upon the grand idea of an everlasting peace, should kindle war between two nations so well fitted, according to theorists, for mutual trade, it would only be comparable with that philanthropic abolition of the slave trade by which thousands of negroes were doomed to the bottom of the sea.†

In the course of the fifty, or rather, of the last twenty-five years (for it is difficult to take into account the period of revolution and war), France has resorted, upon a grand scale, to the system of restriction, with its errors, its exuberances, and its exaggerations. Its success is obvious to every observer. Theory may question it, nay, it must question it, unless it be inconsistent with itself. If it has had the boldness to assert and to persuade the world that England has become rich and powerful in spite of, and not in virtue of her commercial policy, how can it hesitate to maintain a position much easier of proof, that is, that without protection for her manufactures, France would be

* Our Author is not the only political economist who has ventured this prediction. Who can say that it would not have been verified but for the important events now transpiring in Europe. Indications of quarrel are not wanting. — S. C.

† Would it not have been more appropriate to take this occasion to recommend to planters a slavery less severe, the yielding to slaves some portion of the soil they cultivate, a certain degree of personal liberty; in a word, the establishment of a servitude softened by the prospect of future emancipation, and the gradual preparation of the negro for the plenitude of liberty? Were the negroes less slaves in Africa than they are in the American plantations? Is the transition from a state of nature to a state of civilization possible for a barbarous people without some intermediate rigorous discipline? Is it possible by acts of parliament to transform the black slaves of the West Indies into free laborers? Have men been trained in that way in the past history of the world for liberty and labor? The English are no such strangers to the history of civilization as not to have considered that question satisfactorily for themselves long since. It is evident that what they have done and what they are doing for the abolition of slavery has had very different motives from those of pure philanthropy, as we shall yet have occasion to show. — H. R.

incomparably richer and more flourishing than she is at this moment. Although enlightened and experienced statesmen deny the correctness of this conclusion, many reputed to be well-informed and judicious, receive it for sound doctrine; and, truth to say, in France at this very hour, not a few seem to sigh for the blessings of free trade with England. It would be difficult to dispute, and upon that subject we shall go into some details hereafter, that greater activity in their commercial relations must prove in many respects an advantage to both nations. It is, however, obvious that England desires an exchange, not merely of raw materials, but rather a trade by which she may furnish a great quantity of manufactured goods of general consumption, in exchange for the agricultural products and the fancy goods of France. If the government of France is disposed to come into these views, if it is in fact yielding to them, it is certainly not anxious to let it be known. But if in the end it does adopt this English doctrine, it will only thereby furnish one more experiment towards the solution of this great question. In the actual state of things, can two great manufacturing nations, one of which has decidedly the advantage of the other as to the cost of production and in the extent of its external market, freely compete with each other in their respective home markets? And what must be the results of such a competition?

In Germany these questions have become, in consequence of the Zollverein or Customs-Union, national and practical questions. Whilst in France wine is the attraction which tempts England to seek a commercial treaty, in Germany wheat and timber furnish the temptation. Here, however, all is still hypothesis, for it cannot actually be ascertained whether the too selfish tories of England can ever be induced to make such concessions as will enable their own government to effect an arrangement with the German Customs-Union securing the admission into Great Britain of corn and timber from Germany. The Germans are, however, sufficiently advanced in commercial matters to regard as ridiculous, if not impertinent, the supposition that they would be satisfied with illusions and

hopes in the place of gold and silver money. Should such concessions be made by the British Parliament, very serious questions of commercial policy would become immediately in Germany matter of public discussion. The last report of Dr. Bowring * has given us a foretaste of the tactics which England would adopt in such a case. England will not regard the admission of German corn and timber as an equivalent for the exorbitant advantages which her manufactured products now enjoy in the German markets; nor as a means of preventing Germany from learning by degrees to spin her own cotton, and to import it directly for that purpose from cotton-growing countries, exchanging for it the products of her own manufactures; nor as a method of reforming the enormous disproportion existing between the importations and exportations of both countries. By no means! England regards the export to Germany of cotton-yarn as an acquired privilege; she will claim a new equivalent for her concessions, nothing less than the sacrifice of the German manufactures of cotton, wool, &c. England will offer for admission of German corn and timber into her markets a mess of pottage, as a price, not merely for the renunciation of the birth-right of the infant German industry, but as a price for strangling it in the cradle. If Dr. Bowring was not deceived during his stay in Germany, if, as we strongly surmise, he has not taken too much in earnest the Prussian courtesy which was lavished upon him, the people in those regions, where the policy of the German Customs-Union is elaborated, are still in the tracks of the cosmopolitan theory. There is, for instance, no distinction made between the exportation of manufactured and of agricultural products; they believe they are promoting national interests by developing the latter at the expense of the former; they have not yet comprehended the principle of the industrial training or education of the country as a basis for the regulation of duties; they scruple not to sacrifice to foreign competition manufactures, which, after enjoying protection for several years, and flourishing sufficiently

* The reader will find in the second Chapter of the Fourth Book an explanation of the allusions to Dr. Bowring.

to beget internal competition and a consequent large reduction of prices, they suffer to be destroyed, and with them the spirit of enterprise in Germany, in its germ. Every manufacture ruined by the reduction or withdrawal of protection, and especially by a governmental measure, is a dead body so exposed as to injure every living industry of the same kind. We cannot shut our eyes to such facts, let us give them rather our earnest attention; it is an evil that they have been, that they could be made public; for by shaking confidence in the permanence of needful protection, no light blow has fallen upon the industrial energy of the country. We are thus shown in what mode German manufactures may receive the deadly poison in such manner as not to reveal too distinctly the cause of their destruction. This is a sure method of attacking industry in the very sources of its life. Under this mode of attack, duties by weight (specific) would give place to duties *ad valorem*, which opens the door to English smuggling, and to frauds in the valuation of articles of general consumption having the least relative value and the greatest total bulk, being the very articles which form the basis of manufacturing industry.

The practical importance of the great question of free trade between nations is generally felt in our day, as also the necessity of investigating, with impartiality, once for all, how far theory and practice have erred on this subject, and how far any reconciliation between them is possible. It is at least needful to discuss seriously the problem of such a reconciliation.

It is not indeed with any assumed modesty, it is with the feeling of a profound mistrust of his power, that the author ventures upon this attempt; it is after resisting many years his inclination, after having hundreds of times questioned the correctness of opinions and again and again verifying them; after having frequently examined opposing opinions, and ascertained, beyond a doubt, their inaccuracy, that he determined to enter upon the solution of this problem. He believes himself free from the empty ambition of contradicting old authorities and propounding new theories. If the author had been an Englishman, he would probably never have entertained doubts

of the fundamental principle of Adam Smith's theory. It was the condition of his own country which begot in him, more than twenty years since, the first doubts of the infallibility of that theory; it was the condition of his country which, since that time, determined him to develop, first in anonymous articles, then in more elaborate treatises, not anonymous, contrary opinions. At this moment, the interests of Germany alone give him the courage to publish the present work; he will however not dissemble, that a personal motive is connected with those interests; that is, the necessity in which he is placed of showing by a treatise of some extent, that he is not quite incompetent to treat of political economy.

The author will begin, as theory does not begin, by interrogating History, and deducing from it his fundamental principles; this being done, an examination of former systems will follow, and his tendency being especially practical, he will, in conclusion, furnish a sketch of the later phases of commercial policy.

For greater clearness, we give here a cursory view of the principal results of his researches and meditations:

The association of individuals for the prosecution of a common end, is the most efficacious mode towards ensuring the happiness of individuals. Alone, and separated from his fellow-creatures, man is feeble and destitute. The greater the number of those who are united, the more perfect is the association, and the greater and the more perfect is the result, which is the moral and material welfare of individuals.

The highest association of individuals now realized, is that of the state, the nation; and the highest imaginable, is that of the whole human race. Just as the individual is happier in the bosom of the state than in solitude, all nations would be more prosperous if they were united together, by law, by perpetual peace, and by free interchange.

Nature leads nations gradually to the highest degree of association; inviting them to commerce by variety of climate, soil, and productions; and by overflowing population, by superabundance of capital and talents, it leads them to emigration and the founding of distant colonies. International trade, by

rousing activity and energy, by the new wants it creates, by the propagation among nations of new ideas and discoveries, and by the diffusion of power, is one of the mightiest instruments of civilization, and one of the most powerful agencies in promoting national prosperity.

The association of nations, by means of trade, is even yet very imperfect, for it is interrupted, or at least weakened by war or selfish measures on the part sometimes of one and sometimes of another nation.

A nation may by war be deprived of its independence, its wealth, its liberty, its constitution, its laws, of its own special features, of that degree of culture and national well-being to which it may have attained; it may be wholly enslaved. Nations are thus the victims of each other, and selfish policy is continually disturbing and delaying the economical development of nations.

To preserve, to develop, and to improve itself as a nation is consequently, at present, and ever must be, the principal object of a nation's efforts. There is in that nothing false or selfish; it is a reasonable tendency, agreeing perfectly with the real interests of humanity; for it leads naturally to universal association, which is an advantage to men, so far as nations have reached the same degree of culture and power, and, consequently, so far as it may be realized, by way of association or confederation.

A universal association, proceeding from the overbearing influence and wealth of a single nation, based, consequently, upon the subjection and dependence of all others, would result in the annihilation of separate nationalities, and national emulation; it would hurt the interests and wound the feelings of nations which deem themselves on the way to independence and the attainment of great wealth, as well as of high political importance; such an association would be only a repetition of what has already occurred in the attempt to subjugate the world, made by the Romans; an attempt that would be more successful in our days, by means of manufactures and commerce, instead of, as formerly, by the sword; though either mode would restore the world to barbarism.

The civilization, political education and power of nations, depend chiefly on their economical condition and reciprocally; the more advanced their economy, the more civilized and powerful will be the nation, the more rapidly will its civilization and power increase, and the more will its economical culture be developed.

In the economical development of nations, it is necessary to distinguish the following principal stages: the savage state, the pastoral state, the agricultural state, the agricultural and manufacturing state, and finally, the agricultural, manufacturing, and commercial state.

It is obvious that a nation possessing an extensive territory, enriched with varied resources and a numerous population, uniting agriculture and manufactures with an external and internal trade, is beyond comparison more civilized, politically more developed and more powerful than any merely agricultural country. But manufactures constitute the basis of external and internal trade, of navigation, of an improved agriculture, consequently of civilization and political power; and should any nation succeed in monopolizing all the manufacturing activity of the world, and in checking all other nations in their economical development by reducing them to the mere production of agricultural commodities and raw materials, and other indispensable local productions, it would undoubtedly attain to very wide, if not to universal dominion.

A nation that greatly values its independence and its safety, must make a vigorous effort to elevate itself as fast as possible, from an inferior to a higher state of civilization, uniting and perfecting as quickly as possible, its own agriculture, manufactures, navigation, and commerce.

The transition from the savage to the pastoral, and from the pastoral to the agricultural state, as well as the first progress in agriculture, is very efficiently promoted by free intercourse among manufacturing and commercial nations.

The elevation of an agricultural people to the condition of countries at once agricultural, manufacturing, and commercial, can only be accomplished under the law of free trade, when the

various nations engaged at the time in manufacturing industry shall be in the same degree of progress and civilization; when they shall place no obstacle in the way of the economical development of each other, and not impede their respective progress by war or adverse commercial legislation.

But some of them, favored by circumstances, having distanced others in manufactures, commerce, and navigation, and having early perceived that this advanced state was the surest mode of acquiring and keeping political supremacy, have adopted and still persevere in a policy so well adapted to give them the monopoly of manufactures, of industry and of commerce, and to impede the progress of less advanced nations or those in a lower degree of culture. The measures enforced by such nations, taken as a whole, the prohibitions, the duties on imports, the maritime restrictions, premiums upon exports, &c., are called the protective system.

The anterior progress of certain nations, foreign commercial legislation and war have compelled inferior countries to look for special means of effecting their transition from the agricultural to the manufacturing stage of industry, and as far as practicable, by a system of duties, to restrain their trade with more advanced nations aiming at manufacturing monopoly.

The system of import duties is consequently not, as has been said, an invention of speculative minds; it is a natural consequence of the tendency of nations to seek for guarantees of their existence and prosperity, and to establish and increase their weight in the scale of national influence.

Such a tendency is legitimate and reasonable only so far as it renders easy, instead of retarding, the economical development of a nation; and it is not in opposition to the higher objects of society, the universal confederation of the future.

As human association ought to be considered under two points of view, that is to say, the cosmopolitan, embracing all the human race, and the political or merely national, every economy, private or public, ought to be considered under two different aspects, the individual, social and material power, by means of

which riches are produced, and the interchangeable value of the products of industry.

There is, consequently, a cosmopolitan economy and a political economy, a theory of interchangeable value, and a theory of productive power. These doctrines are distinct in their essence, and require to be developed separately.

The productive power of nations is not solely dependent on the labor, the saving, the morality, and the intelligence of individuals, or on the possession of natural advantage and material capital; it is dependent also upon institutions and laws, social, political, and civil, but, above all, on the securities of their duration, their independence, and their power as nations. Individuals would be in vain laborious, economical, ingenious, enterprising, intelligent, and moral, without a national unity, without a division of labor and a co-operation of productive power. A nation cannot otherwise attain to a high degree of prosperity and power, nor maintain itself in the permanent possession of its intellectual, social, and material riches.

The principle of the division of labor has been hitherto but imperfectly understood. Industrial production depends much less on the apportioning of the various operations of a manufacture among several individuals, than on the moral and material association of those individuals for a common end.

This principle applies not only to a manufacture or to a rural industry; it extends also to every kind of national industry, agricultural, manufacturing, and commercial.

The division of labor and the combination of productive power take place in a nation when the intellectual power is applied so as to co-operate freely and efficiently with national production, when manufacturing industry and trade are equally and harmoniously developed.

A merely agricultural people in free intercourse with manufacturing and trading nations, will lose a considerable part of their productive power and natural resources, which must remain idle and unemployed. Its intellectual and political culture, and its means of defence, will thus be limited. It can possess neither an important navigation, nor an extensive trade; its prosperity,

as far as it results from external commerce, may be interrupted, disturbed, or annihilated by foreign legislation or by war.

On the other hand, manufacturing industry is favorable to science, art, and political progress; it promotes the general welfare, increases population, public revenue, and the power of the country; it enables the latter to extend its influence to all parts of the world, and to found colonies; it sustains fisheries and navies, mercantile and national. By it only, can agriculture rise to any high degree of efficiency and perfection.

Agriculture and manufacturing industry united in the same nation, under the same political power, live in perpetual peace; they are disturbed in their reciprocal action, neither by war, nor by foreign legislation; they ensure to a nation the continued development of its prosperity, civilization, and power.

Agriculture and manufacturing industry are subjected by nature to special conditions.

The countries of the temperate zone are especially fit for the development of manufacturing industry; for the temperate zone is the region of intellectual and physical effort.

If the countries of the torrid zone are little favored in reference to manufactures, they possess, on the other hand, the natural monopoly of many precious commodities which the inhabitants of the temperate climates greatly prize. The exchange of the manufactured products of the one for the commodities of the other, constitutes a division of labor and a co-operation of productive power throughout the chief commercial nations, and mainly constitutes the great international trade of the world.

A country of the torrid zone would make a very fatal mistake, should it try to become a manufacturing country. Having received no invitation to that vocation from nature, it will progress more rapidly in riches and civilization if it continues to exchange its agricultural productions for the manufactured products of the temperate zone.

It is true that tropical countries sink thus into dependence upon those of the temperate zone, but that dependence will not be without compensation, if competition arises among the nations of temperate climes in their manufacturing industry in their

trade with the former, and in their exercise of political power. This competition will not only ensure a full supply of manufactures at low prices, but will prevent any one nation from taking advantage by its superiority over the weaker nations of the torrid zone. There would be danger and damage in this dependence only so far as manufactures, important branches of trade, foreign commerce, and maritime power should become the monopoly of a single nation.

Nations of the temperate zone possessing extensive territory enriched with varied resources, have lost one of the richest sources of prosperity, civilization and power, if they do not succeed in realizing a national division of labor and a co-operation of national productive power, as soon as they possess the necessary conditions, economical, intellectual, and social, for accomplishing it.

By economical conditions, we understand an advanced stage of agriculture, which cannot be sensibly stimulated by the export of its products; by moral conditions, a high moral culture among individuals; by social conditions, we mean legal security to citizens for their persons and properties, and the free exercise of their moral and physical faculties; institutions regulating and facilitating trade, and suppressing all restraints upon industry, liberty, intelligence, and morality, as for instance, feudal institutions.

It is of the utmost concern for a nation uniting such advantages, first fully to supply its own wants, its own consumption, with the products of its own manufactures, then to form direct connections progressively with the countries of the torrid zone, transmitting to them, upon its own vessels, its manufactured products, receiving in exchange their commodities.

In comparison with this exchange of the manufactured products of the temperate, for the agricultural productions of the torrid zone, other international trade is of a secondary importance, if we but except the trade in a few special articles; wine, for instance.

The production of raw materials and commodities among the great nations of temperate climes, has no real importance but in

regard to internal trade. An uncultivated nation may at the beginning advance its agriculture by the exportation of wheat, wine, flax, hemp, and wool; but no great nation ever arrived at wealth, civilization, and power, by such policy.

It may be stated as a principle, that a nation is richer and more powerful, in proportion as it exports more manufactured products, imports more raw materials, and consumes more tropical commodities.

Productions of the tropics serve to manufacturing countries of temperate climes, not only as raw materials and alimentary commodities, but also, and especially, as stimulants for agricultural and industrial labor. The nation which consumes the greatest quantity of tropical commodities, will always be that of which the agricultural and manufacturing production is relatively the most considerable, and that which consumes the greatest quantity of its own products.

In the economical development of nations by means of external trade, four periods must be distinguished. In the first, agriculture is encouraged by the importation of manufactured articles, and by the exportation of its own products; in the second, manufactures begin to increase at home, whilst the importation of foreign manufactures to some extent continues; in the third, home manufactures mainly supply domestic consumption and the internal markets; finally, in the fourth, we see the exportation upon a large scale of manufactured products, and the importation of raw materials and agricultural products.

The system of import duties being considered as a mode of assisting the economical development of a nation, by regulating its external trade, must constantly take as a rule the principle of the industrial education of the country.

To encourage agriculture by the aid of protective duties is vicious policy; for agriculture can be encouraged only by promoting manufacturing industry; and the exclusion of raw materials and agricultural products from abroad, has no other result than to impede the rise of national manufactures.

The economical education of a country of inferior intelligence and culture, or one thinly populated, relatively to the extent

and the fertility of its territory, is effected most certainly by free trade, with more advanced, richer, and more industrious nations. Every commercial restriction in such a country aiming at the increase of manufactures, is premature, and will prove detrimental, not only to civilization in general, but the progress of the nation in particular. If its intellectual, political, and economical education, under the operation of free trade, has advanced so far, that the importation of foreign manufactures, and the want of markets for its own products has become an obstacle to its ulterior development, then only can protective measures be justified.

A nation without extensive territory and of otherwise limited resources, which does not control the mouths of its rivers, or which has not suitable boundaries, cannot resort to the protective system, or at least cannot employ it with full success. It must be first enlarged by way of conquest or negotiation.

Manufacturing industry is concerned with so many branches of science and art, it implies so much experience, practice, and adaptation, that the industrial training and education of a country can proceed but slowly. All excessive or premature protection is expiated by a diminution of national prosperity.

No commercial policy is more dangerous and reprehensible than a sudden resort to absolute prohibition of foreign products. It may, however, be justified, when a country, separated from others by a long war, finds itself almost in a compulsory state of prohibitions in regard to foreign products, and under the absolute necessity of offering a high premium to the industry which will enable it to supply its own wants.

The return from such a condition must be by gradual transition from the prohibitive to the protective system, and should be effected by means of duties fixed by anticipation, and decreasing gradually. On the other hand, a nation which is to pass from free trade to the protective system should commence with low duties to be afterwards raised by degrees according to a suitable scale.

Duties thus fixed by anticipation must be strictly maintained by the government; it must be careful not to diminish them

before the appointed time, and equally careful to raise them if they should prove insufficient.

Duties upon imports so high as absolutely to exclude foreign competition are prejudicial to the country which adopts them; for they suppress all rivalry between domestic and foreign manufacturers, and encourage indolence among the former.

When, under the rule of suitable and progressive duties, the manufactures of a country do not thrive, it is an evidence that the country does not yet possess the conditions requisite to a manufacturing people.

Duties designed to favor an industry should never be put so low as to endanger the existence of the latter from foreign competition. It should be a rule to preserve what exists—to protect national industry in its trunk and in its roots.

Foreign competition should not have more than its share in the annual increase of consumption. Duties should be raised when foreign commodities supply the greatest part or the whole of the increased annual consumption.

A country like England, which is far in advance of all its competitors, cannot better maintain and extend its manufacturing and commercial industry than by a trade as free as possible from all restraints. For such a country, the cosmopolitan and the national principle are one and the same thing.

This explains the favor with which the most enlightened economists of England regard free trade, and the reluctance of the wise and prudent of other countries to adopt this principle in the actual state of the world.

A quarter of a century since, the prohibitive and protective system of England operated to her detriment and to the advantage of her rivals.

Nothing could be more prejudicial to England than her restrictions upon the importation of raw material and food.

Union of customs and commercial treaties are the most efficient means of facilitating national exchanges.

But treaties of commerce are legitimate and durable only when the advantages are reciprocal. They are fatal and illegitimate when they sacrifice one country to another; when one country,

to purchase advantage for its agriculture, sacrifices a manufacturing industry already well advanced; such a treaty was that of Methuen, a compact in which one party took the lion's share.

The treaty concluded between England and France in 1786 was one of those leonine treaties. And all the propositions made since by England and France to other countries are of the same nature.

If protective duties enhance for a time the price of domestic manufactures, they secure afterwards lower prices by means of internal competition; for an industry that has reached its full development can safely reduce its prices far below those which were necessary to ensure its growth, and thus save to its consumers the whole expense of transportation and the whole profits of trade, which are consequent upon imports of the same articles from other countries.

The loss occasioned by protective duties consists, after all, only in values; whilst the country thus acquires a power, by which it is enabled to produce a great mass of values. This loss in values must be considered as the price of the industrial training of the country.

Protective duties upon manufactured products do not press heavily upon the agriculture of a country. By the development of manufacturing industry, the wealth, population, consumption of agricultural products, rent, and exchangeable value of real estate are vastly increased, whilst the manufactured products consumed by farmers gradually fall in price. The gain, thus realized, exceeds, in the proportion of ten to one, the loss which agriculturalists incur by the transient rise of manufactured products.

Internal and external trade flourish alike under the protective system; these have no importance but among nations supplying their own wants by their own manufacturing industry, consuming their own agricultural products, and purchasing foreign raw materials and commodities with the surplus of their manufactured articles. Home and foreign trade are both insignificant in the merely agricultural countries of temperate climes,

and their external commerce is usually in the hands of the manufacturing and trading nations in communication with them.

A good system of protection does not imply any monopoly in the manufacturers of a country; it only furnishes a guarantee against losses to those who devote their capital, their talents, and their exertions to new branches of industry.

There is no monopoly, because internal competition comes in the place of foreign competition, and every individual has the privilege of taking his share in the advantages offered by the country to its citizens; it is only an advantage to citizens as against foreigners, who enjoy in their own country a similar advantage.

But this protection is useful not only because it awakens the sleeping energies of a country and puts in motion its productive power, but because it attracts the productive power of foreign countries, including capital, both material and moral, and skilful masters as well as skilful men.

On the other hand, the absence of manufacturing industry in a nation long civilized, the productive powers of which cannot be sensibly excited by the export of raw materials and agricultural products, and, by the importation of foreign manufactures, exposes it to numerous and serious inconveniences.

The agriculture of such a country must necessarily suffer; for the surplus population, which, in a great manufacturing development, finds means of living in factories and creates a large demand for agricultural products, thus affording substantial profits to agriculture, will be reduced to the labor of the fields, and thence will follow a subdivision of farms and a small culture, both as prejudicial to the power and the civilization of a country as to its wealth.

An agricultural people consisting chiefly of proprietors of small estates, can neither fill the channels of internal trade with large quantities of commodities, nor furnish a large consumption for manufactured goods; in such a country, every one is limited almost to his own production and his own consumption. In circumstances like these, no complete system of communications can

be established, and the immense advantages which they afford are lost to the country.

Hence ensues necessarily, moral and material, individual and political weakness. The danger is aggravated when neighboring nations pursue a different policy: some making progress in every respect, others retrograding; some hoping for a brighter future, the courage and enterprise of their people being aroused; the absence of hope extinguishing by degrees in others all courage, intelligence, and enterprise.

History is not without examples of entire nations having perished, because they knew not and seized not the critical moment for the solution of the great problem of securing their moral, economical, and political independence, by the establishment of manufacturing industry, and the formation of a powerful class of manufacturers and tradesmen.

NATIONAL SYSTEM

OF

POLITICAL ECONOMY.

BOOK I.—HISTORY.

CHAPTER I.

ITALY.

At the revival of civilization in Europe, no country was more favored as to commerce and manufactures than Italy. Barbarism had not wholly rooted up the culture of ancient Rome. A propitious climate and a fertile soil, even with an unskilful agriculture, furnished abundant sustenance for a numerous population. The more necessary arts and trades had no more disappeared than the old Roman municipalities. A productive coast fishery was a good school for seamen, and the navigation of an extended coast supplied, in a good degree, the want of better communications in the interior. The vicinity of Greece, Asia Minor, and Egypt, and the facility of communication by sea with those countries, secured to Italy considerable advantages for the trade of the East, a trade which formerly, though upon a small scale, had been carried on through Russia and by a northern route. With these advantages, Italy became necessarily conversant with those arts and manufactures which Greece has saved from ancient civilization.

Since the emancipation of the Italian cities by Otho the Great, a truth, of which history offers many proofs, had received fresh confirmation, that liberty and industry are inseparable companions, though it be not rare that one is born before the other.

Where commerce and industry appear, we may be sure that liberty is not far off; where liberty unfurls her flag, it proves a sure harbinger of industry. For it is in the nature of things, that men who have achieved the possession of material and moral benefits, seek guarantees for the transmission of these benefits to their posterity: so, after having enjoyed liberty, they exert themselves earnestly to improve their moral and material condition as the natural impulse of freedom.

For the first time since the fall of the free cities of antiquity, the Italian cities gave to the world the spectacle of free and rich communities. Cities and countries united their efforts for mutual advantage, and were greatly aided in their labors by the crusades. The transportation of the crusaders and their supplies, not only promoted navigation, but stimulated the establishment of profitable commercial relations with the East, the introduction of new manufactures, new processes, new plans, and the knowledge of new sources of enjoyment. On the other hand, the oppression of the feudal system was to some extent removed, to the great benefit of free agriculture, and to the marked advantage of the cities.

As compared with Venice and Geneva, Florence became distinguished especially for its manufactures and its operations in money and exchange. From the twelfth and thirteenth centuries its manufactures of silk and woollen goods were flourishing: the corporations which carried on those industries had their share in the government; the republic itself was formed under their influence.

The woollen manufacture employed no less than 200 factories; 80,000 pieces of cloth, the raw material of which was imported from Spain, were manufactured there every year. Common cloths were also imported into Florence to the annual value of 300,000 gold florins from Spain, France, Belgium, and Germany, which, after being dressed in her factories, were sent to the East. Florence was the banker of all Italy, there being no less than 80 banks. The State had a yearly income of 300,000 gulden florins [$3,000,000], and was much richer than the co-

temporary kingdoms of Naples and Arragon, and than Great Britain and Ireland at the time of Queen Elizabeth.

In the twelfth and thirteenth centuries, Italy possessed all the elements of national prosperity; commerce and industry were there greatly in advance of all other countries. Her agriculture and manufactures were models for imitation and emulation among other nations. Her roads and canals were the most perfect then existing in Europe. The civilized world is indebted to Italy for banks, for the compass, for improvements in naval construction, for bills of exchange, and for a multitude of valuable regulations and commercial laws, as well as for innumerable municipal and political institutions. Her merchant marine and her navy were by far the most considerable in the Southern Seas. The trade of the world was in her hands; for, except a movement of business, still unimportant, in the Northern Seas, that trade did not extend beyond the Mediterranean and Black Seas. Italy supplied all other countries with manufactured articles and superfluities as well as with tropical commodities, and received from them raw materials. She lacked only one thing to be what England has become in our days, and in default of that one thing all the rest was lost; she lacked national unity, and the power which this unity gives.

The cities and the lords of Italy did not regard themselves as members of one and the same body; they battled against and destroyed one another as if they were independent powers. Besides those external contests, each commune was a prey to intestine struggles between democracy, aristocracy, and monarchy. Those calamitous wars were stimulated, kept up, and envenomed by the influence and the invasions of foreign powers, as well as by their domestic theocracy and its fulminations, which still divides each city into two hostile factions.

Italy achieved her own ruin; the history of her maritime power furnishes the evidence. From the eighth to the eleventh century Amalfi flourished in wealth and power. Her ships swarmed upon the seas, and her money circulated almost exclusively in Italy and in the East. The maritime code of Amalfi was in very high esteem, and being regarded as among

the best extant, it was adopted in all the ports of the Mediterranean. In the twelfth century this maritime power was destroyed by Pisa, which in turn fell beneath the power of Genoa, and Genoa, after a severe struggle, was compelled to yield to Venice.

The fall of Venice shows also an indirect consequence of this narrow policy. It would have been easy for a league of the maritime powers of Italy to have maintained Italian preponderance in Greece, in the Archipelago, in Asia Minor, and in Egypt; nay, even to have enlarged and strengthened this ascendency, to have arrested the progress of the Turks and their piracies, to have disputed with the Portuguese the new route to the Indies by the Cape of Good Hope. But in the actual circumstances, Venice was reduced to her unaided strength, and was paralysed without, not only by the other Italian states, but by the neighboring European powers.

It would not have been difficult for a well-organized league of the Italian continental powers to have defended the independence of Italy against the greatest monarchies of the time. The establishment of such a league was attempted in 1526, but in a moment of danger, and only for the purpose of temporary defence. The lukewarmness and treason of its members and its chiefs resulted in the growth of the Milanese, and the fall of the Tuscan republic. From that moment may be dated the decline of commerce and industry in Italy.

Before, as well as after that time, Venice had aimed to be an independent nation. So long as she had to do only with the fragments of Italian nationality, or with defunct Greece, she could maintain, without serious trouble, her manufacturing and commercial supremacy along the shores of the Mediterranean and Black Seas. But when whole nations full of vigor, appeared upon the political arena, it was discovered that Venice was but a city, and its aristocrary only a municipal aristocracy. Venice had indeed subjugated many islands and vast provinces, but she had always governed them as conquered countries, and each of her conquests, according to the testimony of history, had been a source of weakness and not of strength.

The spirit to which Venice owed her grandeur was at the

same time gradually extinguished in the heart of the republic. Her power and her prosperity, the work of a patriotic and brave aristocracy, itself the product of an energetic democracy, jealous of its liberty, endured and increased, so long as this liberty retained its democratic energy, and so long as this energy was directed by the patriotism, wisdom, and heroism of the aristocracy; but in proportion as the aristocracy degenerated into a despotic oligarchy, extinguishing all liberty, all popular energy, the roots of that power and that prosperity dried up, though the limbs and the top of the tree continued for a time to flourish.

"A nation in a state of servitude," says Montesquieu, "labors rather to preserve than to acquire. A free nation labors rather to acquire than to preserve." To this just remark he might have added: "And whilst people think only of preserving, and never of acquiring, they are overtaken by ruin;" for a nation which does not advance, retrogrades, and must finally perish. Very far from extending their trade and making new discoveries, the Venetians had not even the sagacity to take advantage of the discoveries of the others. Excluded from the trade of the East by the discovery of a new route, they scarce so much as admitted, much less admired, the discovery. What everybody saw they refused to believe. And when they began to suspect the fatal consequences of the change to be accomplished, they tried to maintain the old instead of taking their share in the benefits of the new route; they employed miserable intrigues to preserve and to acquire what they could only obtain by enterprise and courage applied to the new circumstances in which they were placed. And when, finally, they had lost every thing, when the riches of India flowed into Cadiz and Lisbon, and not into their port, they betook themselves, like idlers and spendthrifts, to alchemy.*

When the republic of Venice was in a condition of progress and prosperity, an inscription in the Golden Book was considered as a reward for eminent services in commerce, industry, govern-

* A vulgar charlatan, who pretended to the art of making gold, was received by the aristocracy as a Saviour. Daru, History of Venice, vol. iii., chap. xix.

ment, or in war; this honor was accessible, upon these terms, to foreigners, the most distinguished of the silk manufacturers, who emigrated from Florence, having obtained that favor. But the book was shut when people began to regard public distinctions and the public revenue as the hereditary patrimony of the patricians. Later, when the necessity of restoring an effete and degenerate nobility was admitted, the book was again opened. Public services were no longer regarded as the principal titles to an inscription, but wealth and ancient origin. Under this policy the golden book fell into such discredit, that it remained uselessly open for a century.

If we should interrogate history as to the causes of the fall of that republic and its trade, the answer would be, that the principal causes were the folly, inactivity, and want of energy in a degenerate aristocracy, the apathy of a nation sunk into the condition of servitude. The trade and the manufactures of Venice must have perished, even if the route by the Cape of Good Hope had never been discovered.

The fall of Venice, as well as that of all the other Italian republics, is also explained by the want of national unity, by foreign preponderance, by the pressure of the Romish Church, and by the establishment in Europe of vast, powerful, and compact nationalities.

If we study specially the commercial policy of Venice, we perceive at once that the policy of modern manufacturing and commercial nations is, upon a large scale, or, in national proportions, little else than the adoption of the Venetian policy. Maritime restrictions and import duties favored the ship-owners and manufacturers of the country; and we find that even then the rule prevailed of importing raw materials and exporting manufactured products.

It has been recently asserted, in support of the principle of absolute free trade, that the fall of Venice was caused by commercial restrictions. This proposition contains a little truth mingled with much error. Whoever studies without prejudice the history of that republic, will find that there, as in greater nations, international trade — whether with or without restric-

tions, has proved advantageous or injurious to public power and prosperity, according to the peculiar circumstances of the time.

Unlimited free trade was the true policy of the republic in the first period of its elevation, for otherwise how could a hamlet of fishermen become a commercial emporium? Restrictions became advantageous to Venice after she had attained a certain degree of power and wealth; for by them she attained her manufacturing and commercial supremacy. Restrictions became injurious after she had reached this ascendency; for they removed all rivalry between her citizens and those of foreign countries, and thus destroyed the stimulus to excellence and industry. It was therefore not the *establishment* of such restrictions, it was rather persevering in them after they had ceased to be applicable, which was prejudicial to the Venetians.

That proposition was false also in this respect, that it left out of view the great hereditary monarchies. Although maintaining rule over provinces and islands, Venice was still but an Italian city; she had encountered in her growth only other cities of Italy, and her exclusive commercial policy could only extend so long as it remained unchecked by more powerful nations. When this event began to be realized, Venice could only preserve her supremacy by placing herself at the head of the whole of Italy, and extending her commercial policy over the whole peninsula. It was not possible to maintain for a very long period any system embracing the commercial supremacy of a single city, however skilfully devised, as against all other nations.

The example of Venice, so far as it can be invoked against the restrictive system, proves only this, neither more nor less, that an isolated city or a small state, as against great empires, cannot apply or maintain beneficially that system, and that a power having once, by the help of restrictions, attained manufacturing and commercial ascendency, must return to the principle of free trade as soon as it becomes safe to do so.

We meet in this, as in all discussions upon this subject of international free trade, a confusion of ideas, productive of grave mistakes. Commercial liberty is spoken of in the same terms as religious and civil liberty. The friends and champions of

liberty in general, regarding themselves as the defenders of liberty under all its forms and names, rally to the defence of liberty of trade, making no distinction between the liberty of domestic trade, and that of international trade; both of which, in their essence and in their results, differ widely from each other. For if restraints upon international trade are but in a very few cases compatible with individual liberty, the highest degree of individual liberty is not incompatible in foreign trade with heavy restrictions. It may even happen that foreign commerce wholly free may lead to national servitude, as we intend to show in the instance of Poland.

It is in this sense that Montesquieu says: "It is in free countries that men of trade encounter innumerable obstacles; they are never less hampered by laws than in countries not free." *

CHAPTER II.

HANSE TOWNS.

HAVING attained ascendency in Italy, the genius of industry, of commerce, and liberty, passed the Alps, traversed Germany, and constructed for itself a new throne upon the shores of the Northern Sea.

Henry the First, the father of the liberator of Italian Communes, had already encouraged the building of new, and the enlargement of existing cities, some of which were built upon the very sites of Roman colonies or upon imperial domains.

He and his successors, and later, the Kings of France and England, found cities to be the most effectual counterpoise of the aristocracy, the most fertile source of public revenue, and a new means of public defence. By commercial relations with the cities of Italy, by emulation of Italian industry and

* Spirit of Laws; Book xx., chap. xii.

free institutions, the German cities soon reached a high degree of prosperity and civilization.

Municipal life gave birth to a spirit of progress in the arts, and to the desire of becoming distinguished by wealth and enterprise at the same time that material well-being gave origin to a desire for political ameliorations.

The maritime cities of Northern Germany, strong as they were with their rising liberty and their flourishing industry, were soon obliged to conclude a close defensive alliance to protect themselves from brigands who disturbed their trade by land and by sea. With this view, Hamburg and Lubeck formed in 1241 a league, which, in the course of that century, united all the cities of any importance upon the coast of the Northern and Baltic Seas, upon the shores of the Oder, the Elbe, the Weser and the Rhine, to the number of eighty-five. That confederation was called The Hanse, which, in low German, means a union.

The Hanse Towns soon discovered the advantages to be derived by private industry from their association, and were not slow in conceiving and developing a commercial policy from which sprang a prosperity without previous example. Convinced that in acquiring and preserving a great maritime trade, a powerful navy was necessary for its protection, the Hanseatic cities provided for this exigency; and knowing that the maritime power of a country rises or falls with its trade, navigation and fisheries, they determined that their goods should be transported only in their own vessels. They established many great maritime fisheries. The Navigation Act of England was modelled upon that of the Hanse Towns, which had for its model that of Venice.*

England only followed those who preceded her in maritime supremacy. Even at the period of the long Parliament, the proposition of an Act of Navigation was anything but new.

In his appreciation of that measure, Adam Smith† seems not to have known, or to have suppressed the fact that, centuries before, and at different times, attempts had been made to intro-

* Anderson's History of Commerce.

† Wealth of Nations Book iv., chap. ii.

duce similar restrictions. Proposed by the Parliament of 1461, they were rejected by Henry VI.; proposed by James I., they were rejected by the Parliament of 1622.* Long previous to these two attempts, in 1381, they had actually been applied by Richard II.; but having soon ceased to be operative, they were forgotten. The country was evidently not yet ripe for such a measure. Acts of Navigation, as well as the protection of industry by import duties, are so material to nations having a presentiment of future commercial and industrial grandeur, that the United States were no sooner emancipated than they adopted maritime restrictions, at the instance of James Madison; this was done, too, as will be seen in a following chapter, with infinitely greater success than in England a century and a half before.

The Northern princes, to whom a trade with the Hanse Towns promised great advantages in the opportunity it afforded, not only of selling the surplus productions of their soil, receiving in exchange manufactured articles very superior to their own, but of filling their treasuries from the avails of import and export duties, and of inuring to habits of labor people previously addicted to indolence, debauchery and dissensions, looked upon it as a fortunate circumstance when the Hanse Towns established their commercial houses among them, and, to encourage this, they granted them many privileges and important favors. The kings of England distinguished themselves particularly in this respect.

"The trade of England had anciently been carried on altogether by foreigners, chiefly the inhabitants of the Hanse Towns, or Easterlings, as they were called; and in order to encourage those merchants to settle in England, they had been erected into a corporation by Henry III., had obtained a patent, were endowed with privileges, and were exempted from several heavy duties paid by other aliens. So ignorant were the English of commerce, that this company, usually denominated the merchants of the Steel Yard, engrossed, even down to the reign of Edward, almost the whole foreign trade of the kingdom; and as they

* Hume's History. Part. iv., chap. xxi.

naturally employed the shipping of their own country, the navigation of England was also in a very languishing condition." *

Long before that period, German merchants, and especially those of Cologne, had occasionally dealt with England; but in 1250 they established in London, upon the invitation of the king, the renowned commercial association referred to by Hume as the Steel Yard, which at first exercised so favorable an influence upon the development, culture, and industry of England, but which afterward excited such an intense national jealousy, and which, in the 375 years that elapsed from its rise to its dissolution, furnished occasion for such long and acrimonious debates.

England was then to the Hanse Towns what Poland was later to Holland, and what Germany was to England; she supplied them with wool, tin, skins, butter, and other productions of her mines and her agriculture; she received from them in exchange manufactured articles. The raw materials which the merchants of the League purchased in England and in other Northern kingdoms were transported by them to their colony of Bruges, founded 1252, and exchanged for cloths and other manufactured goods of Belgium, and for various products of the East coming from Italy, which they distributed among the countries situated around the North Sea.

A third agency established in 1272 at Novogorod, in Russia, dealt in furs, flax, hemp, and other raw materials, in exchange for manufactured products.

A fourth agency established in 1278 at Bergen, in Norway, was chiefly devoted to fisheries and to a trade in oil and fish.

The experience of all countries and all times teaches that so long as a nation is in a state of barbarism, an entirely free trade, which carries off the products of its hunting-grounds, its pastures, its forests, and its fields, in a word, its raw materials of every kind, and brings in return better clothing and furniture, as well as more perfect tools, with a supply of the grand instrument of exchange, the precious metals, confers immense advantages. A people in that condition may well rejoice in free trade so long as it advances them in the career

* Hume's History of England, ch. xxxv. 10.

of civilization. But experience teaches also that in proportion as such a nation makes progress in industry and civilization, it must experience a change in its internal economy which will show that free trade is no longer its policy or its advantage. It was so with the trade between England and the Hanseatic cities. A century had not elapsed since the foundation of the Steel Yard agency, when it occurred to Edward III. that possibly a wiser and more useful policy might be pursued than to export raw wools and to import cloths. He began by offering inducements of every kind to the manufacturers of wool in Flanders to attract them to England; and, having succeeded with a goodly number, he prohibited the importation of foreign cloths.

The wise measures of that sovereign were marvellously promoted by the foolish policy of other rulers, a thing not uncommon in the history of industry. Whilst the ancient masters of Flanders and Brabant had exerted themselves to increase and reward industry around them, the new counts seemed to make it their study to excite the distrust and enmity of tradesmen and manufacturers, and to drive them out of their dominions.*

After 1413 the woollen industry of England made such progress, that Hume could say of that period, "A great jealousy then existed with regard to foreign merchants: they had to encounter a multitude of difficulties; for instance, they were obliged, with the money they obtained from their imports, to buy domestic productions."

Under Edward IV., this jealousy increased to such a degree that the importation of foreign cloths and many other articles, was entirely prohibited.

Though the King was afterwards compelled by the Hanse Towns to revoke that prohibition and to restore their ancient privileges, English industry seems to have been vastly advanced by that measure; for Hume, referring to the reign of Henry VII., which was subsequent to that of Edward IV. by half a century, says: — "The increase of the arts, more effectually than all the severities of law, put an end to this pernicious practice. The nobility, instead of vying with each other in the

* Rymer's Fœdera. De Witte. Interests of Holland.

number and boldness of their retainers, acquired by degrees a more civilized species of emulation, and endeavored to excel in the splendor and elegance of their equipage, houses and tables; the common people, no longer maintained in vicious idleness by their superiors, were obliged to learn some calling or industry, and become useful both to themselves and to others. . . . . Laws were made against the exportation of money, plate, or bullion: a precaution which serves no other purpose than to cause more to be exported. But so far was the anxiety on this head carried, that merchants alien, who imported commodities into the kingdom, were obliged to invest in English commodities all the money acquired by their sales, in order to prevent their conveying it away in a clandestine manner."*

In the reign of Henry VIII. the number of foreign manufacturers had become so great in London, as visibly to enhance the value of food thereby, furnishing a manifest proof of the advantages which the agriculture of a country derives from the development of domestic and manufacturing industry.

The King, however, mistaking the causes and the consequences of this fact, gave ear to unfounded complaints of English manufacturers against foreign manufacturers, more skilful, laborious and economical than themselves, and ordered fifteen thousand Belgians to be expelled, because they increased the cost of living, and exposed the country to the danger of a famine. To destroy the evil to the very root, sumptuary laws, regulations for clothing, tariffs fixing the price of food, and the rates of wages, were immediately issued and enforced.

This policy was fully approved by the Hanse Towns, and their ships of war were placed at the disposal of the King with the same promptitude they had shown when previous kings of England had favored them. England in our day shows the same favor, and for the same reason, to the Kings of Portugal. During all that reign the commerce of the Hanse Towns with England continued to be very active. They had ships and money, and knew how, as do the English of our time, to employ them skilfully in acquiring influence over nations and govern-

* Hume, History of England; chap. xxvi. 14.

ments not shrewd enough to comprehend their own interests; their arguments, however, rested upon different grounds from those of our commercial monopolists. The Hanseatic merchants claimed their privilege of furnishing nations with manufactured articles, in virtue of treaties and immemorial usage: but the English now claim this right in virtue of a theory, the author of which was one of their Custom-House officers. They claim in the name of a pretended science, what was formerly claimed in virtue of compact and as a matter of right.

In the reign of Edward VI. the Privy Council sought and found pretences for the withdrawal of the privileges granted to the merchants of the Steel Yard. "Several remonstrances were made against this innovation by Lubec, Hamburg, and other Hanse Towns; but the Privy Council persevered in their resolution, and the good effects of it soon became visible to the nation. The English merchants, by their very situation as natives, had advantages above foreigners in the purchase of cloth, wool, and other commodities; though these advantages had not hitherto been sufficient to rouse their industry, or engage them to become rivals to this opulent company: but when aliens' duty was also imposed on all foreigners indiscriminately, the English were tempted to enter into commerce; and a spirit of industry began to appear in the kingdom." *

After having been for several years wholly excluded from a market of which they had enjoyed for three centuries almost exclusive possession, like that enjoyed by the English of our day in the United States, and in Germany, they were reinstated by Queen Mary in their ancient privileges, at the instance of the Emperor of Germany.

But this time their joy was of a short duration.† "With the view not only of preserving, but of increasing these privileges, they complained loudly at the beginning of the reign of Elizabeth of the treatment they had met under the reigns of Edward and Mary. The Queen replied very adroitly that it was not in

* Hume, History of England, chap. xxxv., 10.

† Hume, History, chap. xxxvii.

her power to make changes, but that she would cheerfully leave the Hanse merchants in possession of all the privileges and immunities then enjoyed by them. This response did not satisfy them. A short time after, their commerce was again suspended, to the great profit of the English merchants, who had then an opportunity of showing of what they were capable. The English merchants soon acquired the whole foreign commerce, and their industrial efforts were crowned with complete success. They separated into two classes; one taking the home trade, the others seeking their fortune abroad, by exporting cloths and other English productions. This success excited the envy of the Hanseatics to such a point that they spared no pains to discredit the English merchants. They even obtained an imperial edict which interdicted to the English commerce with the interior of Germany; in reprisal for which measure the Queen ordered sixty of the Hanseatic vessels engaged in smuggling in concert with the Spaniards, to be seized. Her intention was at first only to bring the Hanseatic merchants to an amicable arrangement. But on receipt of the news that a Diet of Hanse merchants was then in session at Lubec, deliberating on the means of placing obstacles in the way of English foreign commerce, she confiscated these ships with their cargoes; two, however, were released and sent to Lubec with this message, that she had the most profound contempt for the Hanseatic League, its deliberations, and its measures." *

Such was the treatment received from Elizabeth by those merchants, from whom her father and many other kings of England had borrowed ships of war for the defence of their country, merchants to whom all the Protestants of Europe had paid court, whose vassals for several centuries were the kings of Denmark and Sweden, who had according to their fancy disposed of thrones and powers, who had colonized and civilized all the south-eastern coasts of the Baltic, and banished piracy from all the seas of Europe; who at a period not very remote had drawn the sword to compel a king of England to respect the privileges of his subjects; who more than once had the crowns

* Lives of the Admirals; vol. p. 410.

of English kings in pledge; and who had carried their insolence and cruelty towards England so far as to drown an hundred English fishermen for venturing too near their fisheries. The Hanseatic cities were still powerful enough to avenge themselves upon the Queen; but their ancient courage, their noble enterprise, the power they derived from liberty and their league — all that had vanished. They were becoming constantly more enfeebled, until at last, in 1630, they dissolved formally their League, after having begged at the door of every European power the privilege of free trade, and having met in every instance an humiliating refusal.

Various external causes, independently of those internal, of which we shall have occasion hereafter to speak, contributed to their fall. Denmark and Sweden meaning to avenge their long subjection to the League, placed every possible obstruction in the way of the commerce of the Hanse Towns. The Czars of Russia had granted privileges to an English company. The order of Knights, their secular allies, and the very children of the League, were in a state of decline and fast tending to their dissolution. The Dutch and the English had thrust them out of their markets, and supplanted their influence in the courts of Europe. The discovery of the route to the East by the Cape of Good Hope was also a blow to their commercial supremacy.

The Hanse Towns, which, in the days of their power and prosperity, almost forgot that they belonged to the Empire of Germany, in their present distress applied to the Diet, and urged that the English yearly exported 200,000 pieces of cloth, a large portion of which went to Germany, and that the only means of recovering their ancient privileges in England was prohibition of English cloths by Germany. Anderson informs us that a resolution to this effect was offered in the Diet, and perhaps agreed to; but he adds that Gilpin, the English ambassador to the German diet, succeeded in preventing its being enforced.

One hundred and fifty years after the official dissolution of the Hanseatic League, the cities which formed it had lost all recollection of their past grandeur. Justus Moser somewhere remarks that if he should describe to the merchants of these

cities the power and grandeur of their ancestors, they would hardly believe it. Hamburg, formerly the terror of pirates in every sea, celebrated throughout all Christendom by the services it had rendered in the destruction of the Corsairs, had fallen so low as to be compelled to purchase from Algiers by a yearly tribute the safety of her own ships; for, the sceptre of the seas having passed to the hands of the Dutch, another policy prevailed in regard to piracy. When the Hanse Towns were at the height of their power, they treated pirates as the enemies of the civilized world, and gave themselves earnestly to the work of their extermination. The Dutch, on the contrary, looked upon the Corsairs of Algiers as important co-operators, by whose aid the foreign commerce of their rivals, in time of peace, was paralyzed until it gradually fell into their hands. Referring to an observation of De Witte upon that policy, Anderson merely remarks, *fas est et ab hoste doceri*, a monition which, though brief, has enjoyed a long acquiescence on the part of England, where this doctrine was fully appreciated; for, to the shame of Christendom, England tolerated the piracies of the infamous Algerine corsairs down to our time. The signal merit of destroying them had been reserved for France.

The commerce of the Hanseatic cities was not a national one; it was neither established upon an equilibrium, nor upon a complete development of the productive power of the country, nor was it sustained by adequate political power. The bonds which united the members of the confederation were too weak; their desire of separate preponderance and private advantage was so strong as to banish federal patriotism, which alone could excite a national feeling and place the interests of the entire League above those of the respective cities. Hence jealousy and often treachery; thus Cologne took advantage of the enmity of England to the League, and Hamburg tried to make profit out of a quarrel between Denmark and Lubec.

The commerce of the Hanse towns was not founded upon production and consumption, nor upon the agricultural and manufacturing industry of the countries to which they belonged. They had neglected to develop the agriculture of their own

territories, although, by their commerce, they gave a great impulse to that of foreign countries. They found it more convenient to buy manufactured articles in Belgium than to establish manufactures of their own; they promoted agriculture in Poland, they encouraged the rearing of sheep in England, the production of iron in Sweden, and they stimulated general industry in Belgium. They exemplified for several centuries the maxim of the theorists of our day; they purchased goods where they could purchase them cheapest. But when they were excluded from the countries where they bought and where they sold, their agriculture and manufactures had not sufficient development to absorb and employ the overplus of their commercial capital. This capital emigrated to Holland and England, where it increased the industry, the wealth, and the power of their enemies. In this fact we have clear proof that private industry, left to itself, does not always select the true path to national prosperity and power, nor even to its own eventual success.

In their exclusive pursuit of material wealth those cities completely lost sight of their political interests. When their power was at its height, they seemed scarcely to belong to Imperial Germany. That narrow-minded, selfish, and haughty commonality was flattered by the attentions of princes, kings, emperors, and by their acknowledged position as sovereign of the seas. How easy had it been for the League, at the time of its maritime supremacy, to form in concert with the confederate cities of Upper Germany a powerful House of Commons, as a counterpoise to the aristocracy of the Empire, to establish, by the aid of the emperors, a national unity; to combine in one nation all the sea coast from Dunkirk to Riga, and thus to seize and secure for Germany a supremacy in industry, in commerce, and in navigation.

But when the sceptre of the seas fell from the hands of the League, it did not retain in the German Diet sufficient influence to have its commerce regarded as a national interest. On the other hand, the aristocracy applied themselves earnestly to the work of its humiliation. The cities of the interior fell, one by

one, into the hands of absolute monarchs, and those on the coast thus lost their trade with the interior.

These mistakes were all avoided in England. There, external commerce and navigation laid the foundation for home agriculture and manufacturing industry; there the interior trade increased concurrently with the external commerce, and individual liberty increased without prejudice to national unity and power; there were consolidated and united in the most happy manner the interests of the crown, of the aristocracy, and of the commons.

In face of these historical facts how can it be maintained, that England, without her peculiar policy, could have so exalted the success of her manufacturing industry, or have attained the commercial and maritime ascendency she now enjoys? No: the proposition that England has not reached her actual commercial grandeur by virtue of, but in despite of her commercial policy, is in our belief one of the greatest fallacies of our time. If the English had abandoned business to its own channels, if they had refrained from all regulation, (*laissez faire*), as required by the reigning school, the merchants of the Steel-Yard would still monopolize the foreign trade of London, and the Belgians would still manufacture cloths for the English markets; England would be still the sheep-pasture of the League, as Portugal, by virtue of the strategems of diplomatic cunning, became and continues to be the vineyard of England.

Nay, it is more than probable, that but for her past commercial policy, England would not, at this day, enjoy the degree of civil liberty for which she is now so distinguished; for that liberty is the child of industry and competence.

After this glance at history, we have reason to wonder that Adam Smith did not attempt to trace from their origin the industrial and commercial struggles between the League and England. Some passages of his work show, however, that the causes of the fall of the League and its consequences were not unknown to him.

"A merchant, it has been said, very properly, is not necessarily the citizen of any particular country. It is, in a great

measure, indifferent to him from what place he carries on his trade, and a very trifling disgust will make him remove his capital, and together with it all the industry which it supports, from one country to another. No part of it can be said to belong to any particular country, till it has been spread, as it were, over the face of that country, either in buildings or in the lasting improvements of lands. No vestige now remains of the vast wealth said to have been possessed by the greater part of the Hanse Towns, except in the obscure histories of the thirteenth and fourteenth centuries. It is even uncertain where some of them were situated, or to what towns in Europe the Latin names given to some of them belong."*

It is strange that Adam Smith, with so clear a comprehension of the secondary causes which had produced the fall of the League, had not been led to seek for the first causes. He had no need for that purpose to inquire where those Hanseatic cities were placed which have disappeared, nor by what Latin names they are designated in obscure chronicles; his countrymen, Anderson, Macpherson, King, and Hume, would have given him ample instruction on this subject.

But how and why could a mind so penetrating abstain from so interesting and fruitful an investigation? The only motive we can suggest, was that it would have conducted him to results little suited to confirm his principle of absolute free trade. He could not have failed to perceive, that after free trade with the Hanseatic cities had raised English agriculture above its early imperfections, the restrictive policy adopted afterwards by the government had raised England at the expense of the League, of the Belgians, and of the Dutch, to undisputed manufacturing and commercial supremacy.

It appears that Adam Smith was unwilling to know or to admit these facts; they belonged apparently to that class of stubborn events which J. B. Say confesses to have been rebels to his system.

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* Wealth of Nations, Book iii., chap. 4.

CHAPTER III.

FLANDERS AND HOLLAND.

GENIUS and manners, origin and language, as well as political relations and geographical position, connected the people of Holland, Flanders, and Brabant, with the German empire. Those provinces had experienced the benefit of frequent and prolonged visits from Charlemagne, and also from the proximity of his residence; in this they were more fortunate than more distant countries of Germany. Flanders and Brabant were indeed particularly favored by nature for agriculture and manufacturing industry, as Holland for pasturage and commerce. In no province of Germany could a vast maritime and river navigation promote internal communication so successfully as in those countries. The salutary influence of water transportation in the promotion of agriculture and in the growth of cities, necessarily gave early stimulus to the progress of such works as were fitted to increase the facilities of internal navigation.

Flanders was especially indebted for its splendor to its Counts, who understood better than other German princes the value of public security, the advantage of roads, manufactures, and prosperous cities. Aided by the nature of the soil, their favorite occupation was to purge the country of a nobility scarcely better than brigands, and of noxious animals. A natural consequence was the establishment of a lively intercourse between the cities and the country, and the development of agriculture in the department of live stock, and particularly of sheep, as well as in the culture of flax and hemp. Where raw materials are produced in great abundance, labor and skill will soon bring them into use if property and commerce enjoy security. The Counts of Flanders did not wait until chance or the current of events brought them weavers of woollens, but history informs us that they invited them from foreign countries.

Through the intermediate commerce of the Hanse Towns and Holland, Flanders soon became, by her woollen manufactures,

the commercial centre of the North, as Venice, by its industry and maritime trade, became the commercial centre of the South. The navigation and the intermediate commerce of the League and Holland, formed, with the Flemish manufactures, a whole, a system of national industry. The manufacturing industry of Flanders, encountering no rivalry, commercial restrictions could not come in question. The Counts of Flanders, without having read Adam Smith, understood that in their condition free trade was exactly suited to their circumstances. It was entirely in the spirit of this theory, that Count Robert III., when requested by the king of England to exclude the Scotch from his markets, answered, that in the view of his people, Flanders was always to be an open market for all nations, and that their own interest did not permit any departure from that rule.

After Flanders had been for several centuries the chief manufacturing country, and Bruges the chief market of Northern Europe, industry and commerce, to which the Counts had failed to make the concessions always due to them when they have attained a certain degree of prosperity, emigrated to Brabant. Antwerp became then the chief commercial city, and Louvain the chief manufacturing city of Northern Europe. This revolution gave agriculture an immediate upward impulse in Brabant. The change effected at an early day, from taxes in kind into taxes in money, and especially a modification of the feudal system, contributed also largely to its development.

In the meanwhile, the Dutch, by a wise combination of their resources and their power, and by constant competition with the League, had laid the foundation of their future maritime supremacy. The advantages and disadvantages of their position had been alike to that people a source of blessings. A perpetual struggle against invasion by the sea, forcibly developed among them a spirit of enterprise, activity, and economy; a soil rescued by art and industry from the waves, and only to be held from the dominion of the sea by ceaseless vigilance, became for them a precious possession, upon which they could not lavish too much labor. Limited by nature to navigation, fishing, the pasturage of cattle, the production of butter and cheese, the Dutch neces-

sarily turned their attention to the carrying trade, to intermediate commerce, to the export of cheese and fish, thus earning wherewithal to purchase their bread, building materials, fuel, and clothing.

We find in these circumstances the chief cause by which the Hanseatic cities were gradually supplanted by the Dutch in the trade with the Northern States. The Dutch needed far more considerable quantities of agricultural products and the products of the forest than the cities of the League, which, for the main part, found their supplies in their respective vicinities. The proximity of Belgian manufactures, and those of the Rhine, with its vast and fertile valley, rich in wine, and with a navigation extending to the mountains of Switzerland, was also a very great advantage to them.

It is a general rule that the commercial activity and prosperity of the seabord, depend upon the greater or less importance of the river navigation with which it is connected.* A glance at the map of Italy shows that the fertility and great extent of the valley of the Po explains the decided superiority of the commerce of Venice over that of Pisa and Genoa. The commerce of Holland was sustained by the valley of the Rhine and its tributaries; and therefore exceeded that of the Hanseatic cities in proportion as its valley surpassed in wealth and fertility those of the Weser and the Elbe.

A happy discovery added to those advantages: the art of curing and preserving herrings with salt. The processes of this fishery and this mode of curing, discovered by Peter Boeckel, remained long a secret with the Dutch; they succeeded thus in giving to a production of their fishery qualities not found in the herrings of other nations, and which ensured them everywhere a certain market and better prices. Anderson affirms that several centuries after these new processes had been used in Holland, the English and Scotch fisheries, although enjoying large premiums upon exportation, could not find a market in foreign countries for their herrings, even at lower rates. Now, if we consider the importance, before the Reformation, of the

* Railroads have materially modified this rule.

consumption of sea-fish, it will be easy to understand how, in a period when the navigation of the League began to decline, the Dutch were able to build every year two thousand ships.

The Union of all the Belgian and Batavian provinces under the dominion of Burgundy, procured for that country the great benefit of national unity, a circumstance not to be overlooked in the study of the causes which gave to the Dutch advantages over the rival cities of Northern Germany. Under Charles V., the Netherlands comprised an union of power and resources which more certainly assured him supremacy by land and sea than all the mines of gold in the world, more certainly than the favor of the Pope and all his bulls, if he had but understood the nature of that power, and known how to seize and to use it.

If Charles V. had thrust from him the crown of Spain, as a man thrusts away a stone which threatens to carry him into an abyss, how different would have been the destiny of the Netherlands as a part of Germany! As sovereign of the Netherlands, emperor of Germany, and chief of the Reformation, Charles had in his hands all the means, moral and material, for founding the most powerful industrial and commercial nation, the widest maritime and continental authority which had ever existed, a maritime supremacy which would have united under one flag every sail from Dunkirk to Riga.

It needed but one idea, but the will of one man, to render Germany the richest and most important empire of the world, to extend its manufacturing and commercial rule over all parts of the earth, and to give it, perhaps, centuries of duration. Charles V. and his gloomy son, Philip II., adopted a different policy; becoming the leaders of the fanatics, they strove to make the Netherlands a Spanish country. The consequences are well known. The Northern provinces, defended by the sea, of which they made themselves master, achieved their independence; in the Southern, industry, arts, and commerce, as they could not escape by flight, perished by the hand of the executioner, and Amsterdam took the place of Antwerp as the centre of the commercial world. The cities of Holland, where formerly, after the troubles of Brabant, a great number of Belgian weavers had taken

refuge, could scarce now find room for the new fugitives, many being obliged to emigrate to England and Saxony. The struggle for independence gave birth in Holland to that naval courage, which overcame all difficulties and all dangers at the very time when Spain was sinking under fanaticism. By means of her navy, Holland enriched herself with the spoils of Spain, and especially by the capture of her galleons; she carried on also an immense contraband trade with the Peninsula and Belgium. After the annexation of Portugal to Spain, she seized the most important Portuguese colonies in the East Indies, and conquered a part of Brazil. Down to the middle half of the seventeenth century, we find the Dutch as superior to the English in manufactures, colonies, and shipping, as the English are in our time superior to the French.

But the revolution of England involved great changes. The spirit of liberty had begun to flag in Holland. As in all aristocracies of merchants, so long as life and goods had been in peril, so long as undoubted material benefits were in question, they were capable of performing great things; but their views failed in depth. They did not comprehend that the supremacy of conquest could only be maintained upon the basis of a large nationality, and an energetic national spirit. On the other hand, in the midst of states in which monarchy had established nations on a large scale, but without bringing them forward in commerce and industry, it was a subject of mortification that so small a territory should occupy the chief place in manufactures, in trade, in fisheries, and in shipping. That feeling was connected in England with the energy of a young republic. The Act of Navigation was the glove which the future supremacy of England threw at the feet of the existing supremacy of Holland. And when these parties grappled with each other, it was discovered that the nationality of England was of far greater power and calibre than that of Holland. The result could not long be doubtful.

The example of England was followed by France. Colbert had calculated that the whole of the maritime trade of France employed about twenty thousand sail, and that of these, sixteen

thousand were Dutch; which was out of proportion to the size of the country to which they belonged. The Bourbons having reached the throne of Spain, France extended her commerce over the Peninsula to the prejudice of the Dutch. She did the same in the East. At the same time the encouragements given in France to manufactures, to the merchant marine, and to maritime fisheries, inflicted upon the industry and the commerce of the Dutch incalculable detriment.

Holland had lost by the policy and rivalry of England the greatest part of her trade with the Northern countries, the contraband trade with Spain and her colonies, the chief part of her commerce in the East and West Indies, and her fisheries. But the treaty of Methuen, in 1703, gave her the finishing stroke by completing the ruin of her commerce with Portugal and her colonies, and with the East Indies.

When the external commerce of Holland began thus to escape from her hands, one could see a renewal of what had taken place in the Hanse Towns and at Venice; that portion of her material and moral capital, which was no longer in demand at home, passed by the emigration of the people, or in the form of loans, to those who had succeeded to the commercial ascendency of Holland.

If Holland, reunited with Belgium, had formed the valley of the Rhine and Northern Germany into a single nation, England and France could not without difficulty, either by war or by commercial policy, have struck so fatal a blow at her shipping interests, her foreign trade, or her industry. A nation thus constituted would have been in a position to oppose its own commercial policy to that of other States. If its industry had suffered from the development of their manufactures, its internal resources must have furnished ample compensation for the injury. Holland succumbed to her rivals because, with a narrow territory of sea-coast, inhabited by a small population of fishermen, seamen, merchants, and cattle-breeders, she could not sustain herself as an independent nation, a distinct power, treating that part of the continent with which she was geographically connected as a foreign country.

The example of Holland, as well as that of Belgium, that of the Hanse Towns, and that of the Italian republics, shows that the activity of individuals is powerless to preserve the commerce, industry, and wealth of a State, if the general conditions of society are not favorable; and that individuals owe the greatest part of their productive power to the political organization, and to the power of the country in which they reside.

The agriculture of Belgium flourished anew under Austrian rule. Whilst connected with France, her manufacturing industry resumed its former gigantic progress. Holland, isolated, was not in a position to adopt and sustain, in reference to great nations, an independent commercial policy. From the day of her union with Belgium, after the restoration of general peace, when her resources, her population, her territory, had so increased as to enable her to maintain a distinct national policy, as against rival nations, and to experience the benefit of increasing internal wealth and productive power, we see the protective system appear in the Netherlands, and, under its influence, we find agriculture, manufactures, and commerce taking a remarkable development and growth. The union between the two countries was dissolved by causes not within the scope of our subject; the protective system was undermined in Holland, whilst it subsists in full vigor in Belgium.

Holland is now living upon her colonies and her carrying trade between the different states of Germany. But the first war may deprive her of those colonies, and in proportion as the German Customs Union, [*Zoll-Verein*], shall better understand its interests, and learn more perfectly how to use its power, it will assuredly perceive the necessity of drawing Holland into the League.

CHAPTER IV.

ENGLAND.

We have shown, in speaking of the Hanse Towns, how agriculture and breeding of sheep were stimulated in England by foreign commerce; how, later, the emigration thither of manufacturers persecuted in their own country, and the encouragement afforded them by the government, had, by degrees, carried the industry of woollens there to a state of prosperity; how by reason of that progress and of the measures of Queen Elizabeth, as skilful as energetic, the external trade of the country, previously monopolized by foreigners, passed into the hands of the natives.

After adding a few observations upon the origin of English industry, we shall resume the history of the economical development of England at the point where we left it in the second chapter.

The industrial and commercial grandeur of England had its origin chiefly in the breeding of cattle and in woollen manufactures. When the merchants of the Hanseatic League landed in England, agriculture was at a very low stage, and even the rearing of cattle was then of little importance. Winter forage not being produced in sufficient quantities, a large portion of the domestic animals were necessarily killed in the autumn, and there could, of course, be neither stock of cattle, nor abundance of manure. As in all uncultivated countries, like Germany in former times, and the solitudes of America at the present day, the people subsisted, for very obvious reasons, mainly upon pork. Swine require but little attention; they find their own provender in the native forests, and in uncultivated fields; but little care sufficed to perpetuate the race of animals upon which it was safe to rely for a large portion of their food. Foreign commerce turned the attention of the people from swine to sheep, from pork to mutton and wool, and to other improvements in agriculture.

We find in Hume's History of England very interesting details of English agriculture at the beginning of the fourteenth century. In 1327, Lord Spencer numbered on sixty-three estates, twenty-eight thousand sheep, one thousand oxen, twelve hundred cows, five hundred and sixty horses, and two thousand hogs; or upon each farm about four hundred and fifty sheep, thirty-five head of cattle, nine horses, and thirty-two hogs. Even at that early period, we notice how large the proportion of sheep compared with that of other animals. The great profits derived by the English aristocracy from the breeding of sheep gave them a liking for that business, and turned their attention strongly to agricultural improvement at a time when almost everywhere on the continent the nobility knew no better use of their estates than keeping quantities of deer, nor a more reputable occupation than preying upon cities and their commerce in every mode of hostile movements.

Sheep multiplied then as we have recently seen them increase in Hungary; on many estates they numbered from ten thousand to twenty-four thousand. In this state of things the manufacture of wool, already well advanced in preceding reigns, could not fail of attaining rapidly a high degree of prosperity under the fostering policy of Queen Elizabeth.*

In the memorial above-mentioned, by which the cities of the League demanded of the German Diet measures of retaliation, the export of cloth from England is stated at two hundred thousand pieces, and as early as the reign of James I. the value of cloths exported from England had attained the enormous figure of two millions of pounds sterling, whilst in 1354 the value of wool exported was but two hundred and seventy-seven thousand pounds, and that of other articles, sixteen thousand four hundred pounds. Previous to the reign of that prince, the chief part of the cloths were sent to Belgium to be there dyed and finished; but in consequence of the measures of protection and favor

* The prohibition to export wool, and the restrictions upon the coasting trade in reference to wool, were vexatious and unjust measures: they were, however, none the less effective in advancing English and in prostrating Flemish industry.

each generation will pursue the work of industrial progress by taking it up where it had been left by its predecessors, must learn all this by studying the History of English industry; a study which should precede the construction of systems, or the giving of advice to statesmen who hold in their hands the destiny of nations.

In the reign of George I. the statesmen of England were fully aware of the real basis of the power of their country. The ministers of that King put in his mouth these words at the opening of the parliament in 1721. "It is very obvious that nothing would more conduce to the obtaining so public a good than to make the exportation of our manufactures and the importation of the commodities used in the manufacturing of them, as practicable and easy as may be." * Such had been for centuries the governing principle of English commercial policy; such had been previously that of Venice. It is even now, as it was in the time of Queen Elizabeth. The fruits which that principle has borne are visible to all. Theorists have since pretended that England has become rich and powerful, not on account, but in spite of her commercial policy. It might as well be maintained that a tree becomes stronger and more productive, not on account, but in spite of the attention and helps which it received in its early growth.

The history of England exhibits also the intimate relation existing between politics and political economy. Evidently the establishment of manufactures in England and the consequent increase of population begot an increased demand for salted fish and pit-coal, the use of which begot an increase of fishing vessels and enlarged the coasting trade. The fisheries and coasting trade were at first in the hands of the Dutch. Encouraged by high duties and premiums, the English turned their attention to fishing. Their Act of Navigation secured to their own vessels the transportation of coal and the general maritime carrying trade. The commercial marine of England increased, and her naval power was proportionately extended, and this soon enabled her to cope with the Dutch fleet. Shortly after the promulgation

* Ustaritz: Theory and Practice of Commerce, ch. xxviii.

of the Act of Navigation, a maritime war broke out between England and Holland, in which the trade of the Dutch with the countries on the other side of the Channel, was almost entirely broken up, and their navigation in the Northern and Baltic Seas nearly annihilated by English cruisers. Hume estimates the number of the Dutch vessels which fell into the hands of the English at sixteen hundred, and Davenant affirms, in his work on public income, that twenty years after the publication of the Act of Navigation the commercial marine of England had doubled.

Among the most remarkable consequences of the Act of Navigation, we may place:—

1. The extension of the commerce of England with all the Northern States, with Germany and Belgium, consisting in the exportation of manufactured articles and in the importation of raw materials, a commerce from which, as we are informed by Anderson, they had been almost excluded by the Dutch.

2. An extraordinary development of contraband trade with Spain and Portugal and their West Indian colonies.

3. A considerable increase on the part of the English in the herring and whale fisheries, of which the Dutch had previously nearly a monopoly.

4. The conquest by England in 1655 of Jamaica, the most important of the West India colonies, and with it the possession of the trade in sugar.

5. But chiefly the conclusion with Portugal in 1703 of the treaty of Methuen, of which we shall have occasion to speak in connection with Spain and Portugal. By this treaty, the Dutch and the Germans lost entirely an extensive trade with Portugal and her colonies. Portugal was rendered completely subservient to England, and England was enabled, with the gold and silver drawn from her commerce with that country, to increase immensely her trade with the East Indies and China, to establish, at a later period, her vast empire in India, and to expel the Dutch from their principal positions.

The two results last specified are very closely connected. The art with which the English succeeded in making Portugal and

India the instruments of their power is particularly worthy of attention. Portugal and Spain had scarcely any means of payment except the precious metals; the East received nothing in payment but the precious metals, except cloths. So far, very well; but the East had almost nothing to sell except silk and cotton goods, and the importation of these did not harmonize with the English policy above mentioned, to import only raw materials and to export only manufactured products. What then was their course? Were they content with the profits on the one hand of a trade in cloths with Portugal, and on the other hand with the trade in silk and cotton goods with the East? By no means. The English ministers looked farther than such advantages. Had they permitted the free importation into England of cotton and silk goods from the Indies, the manufactures of cotton and silk in England would have been destroyed at once. India had in her favor not only the low price of the raw material and cheaper labor, but also long practice and traditional dexterity or skill. Under the system of competition, the superiority was necessarily with India; but England was not willing to build up manufacturing establishments in Asia, to fall afterwards under their yoke. She aspired herself to commercial dominion, and comprehended that of two countries which deal freely with each other, that which sells the product of her own manufactories, gains, and governs, whilst the other, which exports only agricultural products, obeys and suffers.* With regard

* The nation which exports manufactured products is generally more advanced in civilization than that which produces only raw materials. Manufactured articles have a far more extensive market; everybody uses the latter, whilst manufacturers alone use the former. But that alone could not ensure the superiority for which the author contends. List, however, contradicts himself in speaking of England and the United States. He exhibits the first of these powers as dependent upon the second, which furnishes almost exclusively the cotton she spins and weaves. The domination in fact belongs to the monopoly, be it exercised by the manufacturer or by the producer of raw material.—[H. R.]

The qualification of Richelot is proper enough, but List is, in the main, right. In the present state of England and the United States, they are mutually dependent as regards cotton. It is notorious, however, that

to her North American colonies, England had already announced the same policy, declaring that not even a nail should be manufactured there, still less the importation of nails manufactured in those colonies be permitted. How could she then give up to a people so numerous, so frugal, and so favorably situated for manufacturing industry as the Hindoos, her internal market, the very foundation of her rising industrial power.

England therefore *prohibited* the articles competing with those of *her own factories*, the silk and cotton goods of the East.* This prohibition was absolute and under severe penalties, she would not consume a thread from India, and firmly rejecting these beautiful and cheap products, preferred to use the inferior and dearer goods produced by her own laborers; she sold the cheap goods to the continental countries, — these much-desired commodities of the East; thus giving them the benefit of that cheapness denied to her own consumers. Did England, in so doing act unwisely? Undoubtedly, according to Adam Smith and J. B. Say, and their *theory of values*. For, according to that theory, as she was obliged to purchase the goods she needed where they could be had the cheapest and of the best quality, it was the height of folly to manufacture and consume inferior articles at a higher price, giving to other countries the whole benefit of the difference.

We hold to a different theory, which we call *the theory of productive power;* a theory which the English ministers obeyed,

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England has more agency in fixing the price of cotton than the planters who produce it. They take what she offers, and they have always been unwilling that England should have a competitor for their cotton. The real state of the case is that England now employs our planters to produce raw cotton for her factories, for which she pays only that price which competition among her own manufacturers fixes. England governs the price and the quantity. At the same time she is stimulating the production elsewhere. There will be cotton produced for the English factories in other countries long before there will be another England to bid for our cotton. If the cotton-planters had been as clear-sighted in commercial matters as the English rulers, there would now be as much or more cotton manufactured in the United States than in England. — S. C.

* Anderson: year 1720.

without fully comprehending, when they determined upon their industrial policy: to buy raw materials, and sell manufactured products. The English ministers thought it less important to purchase perishable goods at a low price, than to establish, at some sacrifice, a durable manufacturing power.

Their policy has been attended with the most splendid success. England now produces cotton and silk goods to the value of seventy millions of pounds; she supplies largely the markets of Europe, and all the world: even India now receives the products of English labor. Her own production is now from fifty to a hundred times greater than her former commerce in the manufactured articles of India.

What would have been her condition, had she purchased for these last hundred years the cheap goods of India? What have those people gained who purchased these cheap goods? The English have acquired power, an immense power; the contrary has been the lot of the consumers of the cheap goods.

How Adam Smith, against the evidence of such results, could hold unshaken the opinion he expresses upon the Navigation Act, is difficult to explain. It is perhaps only to be referred, as we shall explain in a subsequent chapter, to his hatred of commercial restrictions in general. These results were opposed to his favorite idea of unlimited free trade; he was obliged, consequently, to obviate the objections which the results of the Navigation Act furnished against his principle, by distinguishing the *political* from the *economical* object, and by maintaining that politically speaking, the Navigation Act was necessary and useful, but economically, prejudicial and hurtful. According to the view of this subject which we have presented, neither the nature of things nor experience justify any such distinction. Without being enlightened, as he ought to have been, by the experience of North America, J. B. Say, upon this topic, as upon all others where liberal and restrictive principles came in question, goes even beyond his predecessor. He calculates the wages in France of a sailor, in consequence of the premium enjoyed by the fisheries, with the view of proving the absurdity of premiums. The subject of restrictions upon foreign navigation is generally a stumbling-block to the champions of

absolute free trade; they pass over it in silence, especially if connected with the commerce of maritime cities.

The truth is, that it is with a commercial marine as with commerce. Free navigation and free trade are of advantage to nations in the earlier stages of their existence, and before they have sufficiently advanced in their agriculture and manufacturing industry. For want of capital and skilful navigators, such nations willingly surrender the business of maritime transportation and foreign trade. In a more advanced stage of their progress, when they have developed in a good degree their productive power, and when they have made progress in the arts of naval construction and navigation, the desire is felt of extending their foreign commerce, of employing their own vessels, and of becoming a maritime power. By degrees the mercantile marine acquires sufficient importance to suggest the idea of excluding foreign vessels from their carrying trade, and of transporting their own goods to the most distant ports in their own ships.

The moment has then arrived to have recourse with advantage to restrictions for the purpose of excluding from this shipping business, rich, experienced, and powerful foreigners. But when the merchant marine and maritime power have reached their height, a new epoch commences, in reference to which Dr. Priestley says, it would be as politic to abolish all impediments to navigation as it had been, in the first place, to establish them. By treaties of navigation upon the basis of equality, very important advantages may be secured in the trade with nations less advanced, preventing them, on the one hand, from resorting to restrictions in their own interest; and on the other, preventing more advanced people from inaction, by stimulating in every way the arts of naval construction and navigation.* Venice, in her

* It is this policy which England has just adopted by the Act of June 26, 1849, which repeals, with some reservations, the Navigation Act, and reduces materially the rigors of her former laws of navigation. However remarkable the superiority to which the English marine attained under this protection, it is a striking confirmation of List's doctrine, that it became necessary to withdraw protection to secure that degree of competition which would ensure a continuance of that superiority which was actually threatened by a sense of false security. This change of policy became one of urgent necessity.—[H. R.]

period of development, was, no doubt, greatly indebted to her maritime restrictions; having reached supremacy in commerce, industry, and navigation, she was unwise to maintain them. In this way she was surpassed in the arts of naval construction and navigation, in the aptitude of her seamen, by various maritime and commercial nations which sprang up around her. By her policy England has increased her maritime power; by this same policy she has augmented her industrial and commercial resources, and this augmentation, in its turn, begot an enlargement of her maritime and colonial power.

Although Adam Smith maintains that, commercially speaking, the Navigation Act has not been advantageous to England, he admits that it has increased her power, and that power is more important than wealth.*

It is true that power is more important than wealth. But why? Because power is for a country a faculty of employing new means of production, it is the productive power of the tree upon which wealth grows, because the tree which bears the fruit is of more value than the fruit itself. Power is of greater importance than wealth, because by the aid of power a country not only acquires new modes of production, but retains and secures old advantages and the enjoyment of wealth already acquired; and because weakness or the want of power leaves all that a nation values at the mercy of more powerful rivals — its wealth, its productive power itself, its civilization, its liberty, even its national independence. The history of the Italian Republics, of the Hanseatic League in Belgium and Holland, as well as that of Spain and Portugal, furnish ample proof.

How could Adam Smith, in the face of this reciprocal action of political power, productive power, and wealth, maintain that the treaty of Methuen and the Navigation Act had not been commercially advantageous to England?

We have shown how England, by her policy, acquired political power; by power, productive force; by productive force, wealth; we are now going to see how, by this policy, she added power to power, and productive force to productive force.

* Adam Smith speaks of the safety of the state, and not of its power. — [H. R.]

England had in her hands the keys of every sea; she holds a check upon every nation, upon Germany by Heligoland, upon France by Guernsey and Jersey, upon North America by Nova Scotia and the Bermudas; upon Central America by Jamaica; upon all the coasts of the Mediterranean by Gibraltar, Malta, and the Ionian Islands; she possesses all the stopping places upon the two routes to India, except the Isthmus of Suez, upon which her covetous eyes are now fixed; she shuts the Mediterranean by Gibraltar, the Red Sea by Aden, the Persian Gulf by Busheer and Karak. She needs only the Dardanelles, the Sound, the Isthmus of Suez, and Panama, to open and shut at her pleasure every sea and every maritime route.

Her ships of war exceed those of all other nations together, if not in number, at least in the skill and efficiency with which they are managed.

Her manufacturing industry also surpasses in importance that of all other countries. Since James I. the production of cloths has increased nearly six fold, having reached a value of twenty-six millions sterling. Another branch of industry by which she has been enriched during the last half century, that of cotton, is still more important, its value at present being forty-five millions.

Not satisfied with these results, she is on the eve of carrying to the same figure, if not higher, the production of linens, a branch of industry in which she had been hitherto surpassed by other countries; it has already reached the aggregate of twelve and a half millions. England, in the fourteenth century so destitute of iron that it was deemed necessary to prohibit the exportation of this indispensable metal, manufactures in the nineteenth century a greater quantity of iron and a larger variety of articles of iron and steel, than all other countries of the world, the value being not less than eighteen millions sterling. She takes from her own mines to the value of not less than thirty-six millions in coal and other minerals. The two sums amount to more than seven times the value of the total production of gold and silver throughout the world, which is only about forty-one millions of dollars.*

* The present production is nearly four times this sum. — S. C.

England now produces silk goods to the value of more than ten millions sterling, a product greater than that of all the Italian Republics of the Middle Ages together.

Branches of industry, the names of which were scarcely known in the time of Henry VIII. and Elizabeth, produce now yearly enormous sums; for instance, five millions of pounds from the fabrication of earthern or queensware; one million seven hundred thousand pounds from that of copper and tin; fourteen million pounds from that of paper, books, colors, and furniture; sixteen million pounds from leather, and sixteen million pounds from other articles; the manufacture of beer and spirits far exceeds in value the whole products of the country in the time of James I.

The whole product of the manufacturing industry of the three kingdoms has been recently estimated at one hundred and eighty-seven million one hundred thousand pounds.

In consequence, chiefly, of this enormous product of manufactures, the productive energy of agriculture has been increased to a total value of two hundred and eighty-five millions of pounds.

England is undoubtedly indebted for this increase of political and productive power, not only to her commercial restrictions, to her Navigation Act, to her treaties of commerce, but in a large degree to her parallel progress in the domain of science and art.

Hence, is it not a fact that a million of English workmen accomplish at the present day the work of one hundred millions of men? The great demand for her manufactured articles which the prudent and vigorous policy of England has excited in foreign countries, and especially in her colonies, the wise and energetic protection which she has always granted to her industry, the ample encouragement afforded by her patent laws to inventors, the extraordinary development of her means of transport, her roads, canals, and railways; such are the causes of that prodigy.

England has shown to the world how powerfully the means of transport control the increase of wealth, population, and political power; she has shown what a free, industrious, and well-

governed nation in times of war, and in the short space of half a century, is able to accomplish in this line. The achievements in this respect of the Italian republics, were in comparison but child's play. The sums applied in England to these great instruments of national production, have been estimated at one hundred and eighteen millions of pounds.*

But England did not undertake these works until her manufacturing industry had attained some vigor. It has since become obvious to all that such works can only be achieved by a nation, the industry of which begins to be developed upon a large scale; that those expensive instruments are worth the expenditure they occasion only in a country where industry and agriculture grow up together: in such a country alone do they perform adequately their functions.

Of course the extraordinary productive power and the colossal wealth of England, are not the result merely of the material power of the nation and of the labor of individuals. The primitive sentiment of liberty and personal rights, the energy, the religious feeling and the morality of the people, have all co-operated in it; the political constitution, the institutions, the wisdom and vigor of the government and the aristocracy have also had their part in it as well as the geographical situation, the destiny of the country, and some fortunate accidents.

It is difficult to decide whether physical power exerts more influence over moral power, or the latter over the former; whether social power exerts a greater influence over individual power, or the latter over the former. It is ever true, however, that they exert mutually an energetic influence; that the development of the one is favorable to the other, and that neither can suffer without the other suffering at the same time.

Let those who seek for the origin of English power exclusively in the mixture of the Anglo-Saxon and Norman races, cast a glance at the state of that country before Edward III. Where then was that labor and economy? Let those who seek it in constitutional liberty, remember how Henry VIII. and Elizabeth

* Among these causes the use of steam and the immense improvements in tools and machinery, should always find a chief place. — S. C.

treated their parliaments. Where then was this constitutional liberty? At that time individuals of the cities of Germany and Italy enjoyed a far higher degree of liberty than citizens of England.

Among other nations of German origin, the Anglo-Norman branch had furnished but *one* plant of liberty, the Jury; it was the germ of the sentiment of liberty and individual rights among the English people. When the Pandects were exhumed in Italy, when this great body of long-buried Roman wisdom was brought to light, and had spread the pestilence of law over all the continent, the English barons refused to be inoculated, rejected the boon of Roman Law, and adhered to their own English system of legal polity. What a treasure of moral power they thus secured for their posterity! And how greatly has this power reacted since upon the material production of England!

The Latin language has long been excluded in England from society, from literature, from public affairs, and from the tribunals of justice; what an influence must that exclusion have had upon the development of the nation, upon its legislation, upon its justice, upon its literature, and its industry! What then has prolonged in Germany the use of that language, and the authority of those foreign laws? What then has prolonged its use in Hungary to the present hour?

What influence has the invention of gunpowder, of printing, the Reformation, the discovery of the new routes to India and America, had upon the liberty, the civilization, and the industry of England! Study and compare the effects of these events upon Germany and France. In Germany we find divisions in the Empire, in the provinces, and within the very walls of the cities, miserable controversies, barbarism in literature, in the public administration, and in the tribunals of justice, civil war, persecution and banishment, foreign invasions, a depopulated and devastated country, the ruin of cities, of industry, of agriculture, of commerce, the fall of liberty and of civil institutions, the sovereignty of the high aristocracy; the destruction of imperial authority and of nationality; the severance and loss of

the most beautiful part of the empire. In France, we find the subjection of cities and the aristocracy to absolutism, the alliance of the latter with the priesthood against liberty, though not against national unity and power; conquest with its profits and its evils, the loss of liberty and the ruin of industry. England exhibits, on the other hand, the prosperity of her cities; the progress of her agriculture, her commerce, and her arts; the submission of her aristocracy to law — an aristocracy permitted to take the lead in legislation, in government, in the administration of justice, and in the profits of industry; development at home, aggrandizement abroad, peace within, influence without, over countries of less advanced culture; limits to royal authority, but with advantage to the crown, its income, its splendor, and its duration; finally, a high degree of prosperity, civilization, and liberty within, and an overwhelming power abroad.

Who can tell the part which, in these splendid results, is to be attributed to national spirit and to the constitution; that which belongs to the geographical position and the influence of the past, and that which pertains to change, destiny, or to good fortune.

Substitute Henry VIII. for Charles V., and by virtue of a disgraceful trial for divorce, Germany and the Netherlands might have had, *perhaps*, (it will be understood why we say perhaps,) the fortune of England, and England the fate of Spain; substitute for Elizabeth the weak and cruel Mary, who took Philip II. for her husband, and what would have become of the power, culture, and liberty of Great Britain?

If the genius of the people had prevailed in that revolution, the best part of its benefits ought to have fallen to the lot of the Germans, who were its authors. But of that harvest they have reaped nothing but misfortune and weakness.

In no state of Europe has the institution of the nobility been so wisely adjusted as in England, securing to the aristocracy, in reference to the crown and to the commons, independence, dignity, and duration; procuring for it parliamentary training and experience, giving to its efforts a patriotic and national direction, recruiting it from the elite of the middle class, absorbing all

from its ranks who become distinguished by intelligence, by great opulence, or by splendid services, casting back into it, on the other hand, the surplus of its increase, so that the blood of commoners and nobility mingle in the descending generations. The nobility receives constantly from the middle class a new infusion of civil and patriotic activity, light, instruction, intelligence, and wealth; whilst it gives back to it a portion of its polite culture and mental independence, and abandons its younger sons to their personal resources; thus in many ways stimulating the middle class to raise themselves to distinction.

At the house of an English lord, whatever may be the number of his children, there is but a single noble at his table; the others are but common people, having a liberal profession, serving the state, or devoting themselves to commerce, industry, or agriculture. It is said of one of the first Dukes of England, that he conceived the idea a short time since of inviting all his relatives to a festival, but that he renounced his design on finding that he would be obliged to convene quite a legion, though his genealogy did not extend beyond a few centuries. It would require a volume to exhibit fully the effects of this institution upon the spirit of enterprise and of colonization, upon the political power and liberty, and generally upon the productive energy of the country.

The geographical position of England has also had considerable influence on the original development of the nation. With regard to Europe, England has always been a world by itself; she was always sheltered from the jealousy, the prejudices, the selfishness, the passions, and the calamities of other nations. It is to this insular position that she is indebted in good part for the free and pure development of her constitution; and also for the prompt success of the Reformation, the secularization of Church properties, so advantageous to her industry; and she is indebted to it for a peace uninterrupted during several centuries, excepting a very brief period of civil war. Owing to this isolated condition she has been enabled to dispense with large standing armies, and to organize at an early day a regular system of customs.

Owing to this advantage England has not only escaped the

disastrous effects of the continental wars, but she has derived from those wars immense benefits and helps towards her manufacturing ascendency; the ravages of war injured in many ways the manufacturing industry of the countries where they occurred; indirectly by the interruption of labor and the disasters brought upon agriculture, by which farmers were deprived of the means of buying manufactured products, and prevented from furnishing manufacturers with raw materials and food; then directly, either by destroying a great number of manufacturers or by cutting off the supply of their raw materials and preventing the export of their products, or by putting it out of their power to find capital or to employ workmen, owing to extraordinary contributions to which they were subjected. The injuries of war are not at an end even when peace arrives, for capital and labor are withdrawn from manufactures and applied to agriculture, in proportion as the latter has suffered from war; and because it promises on that account larger profits at the return of peace. Whilst Germany encountered such a state of things several times in a century, to the detriment of her manufactures, English industry advanced without any prolonged interruption. In comparison with the manufactures of the continent, those of England were immensely favored whenever she engaged in foreign wars, by the fitting out of her fleets and armies, or by subsidies, or in both ways at once.

We are not of those who defend useless expenditures, particularly those occasioned by war or the keeping of great armies, nor of those who maintain the absolute utility of a considerable public debt; but we do not concede the correctness of the prevailing theory which regards as absolutely injurious that consumption which is not *directly* reproductive; as, for instance, that of war. Military preparations, wars, and the debts which they involve, may in certain cases, as is shown in the case of England, contribute immensely to increase the productive powers of a country. Material capital can be consumed unproductively in the strict meaning of the term, and yet such consumption may excite extraordinary industrial efforts, new inventions, improvements, and thus, in a general way, increase productive

power. That power is something durable; it continues to increase whilst the expenses of war come to an end. And thus it may happen in favorable circumstances, such as have occurred in England, that a nation gains vastly more than it loses by that kind of consumption which men of theory consider as unproductive. This fact is clearly shown in England, where, during the war, immense progress was made in the manufacture of cotton; a productive power being thus attained which yielded annually a sum of values far exceeding the interest which that country pays for its increase of debt, without speaking of the vast development of other branches of industry or of the increase of her colonial wealth.

Whether England kept armies upon the continent, or whether she furnished subsidies for continental wars, her manufacturing industry enjoyed manifest advantages. The whole of the war expenditure was carried, in the form of manufactured articles, to the theatre of war, where such importations contributed powerfully to ruin the foreign manufacturers, already in extremities, and to secure for ever the external market for English manufacturers; it operated like a premium upon exports in favor of English, and to the detriment of foreign, manufactures.

Continental industry always suffered more from alliance with, than from the enmity of, England. For proof of this, I refer to the state of things on the continent during the seven years' war, and the wars of the French Revolution, and those of the Empire.

Great as the advantages were in these periods, they were surpassed by those which England derived from immigration, advantages for which she was indebted to her political, religious, and geographical position. As early as the twelfth century, political troubles drove the Flemish weavers into Wales. Some centuries after, Italian exiles found their way to London to deal in money and exchange. It has been seen in our second chapter, that at several epochs manufacturers of Flanders and Brabant emigrated to England in masses. From Spain and Portugal went persecuted Jews; from the Hanseatic cities and Venice, when in a state of decay, went merchants with their vessels,

their commercial knowledge, their capital, and their spirit of enterprise. But still more important were the accessions to English industry from the influx of manufacturers caused by the Reformation and the religious persecutions of Spain, Portugal, France, Belgium, Germany, and Italy; then from the merchants and manufacturers of Holland, caused by the commercial and industrial stagnation produced there by the Act of Navigation and the Treaty of Methuen. Every political movement, every continental war, drove multitudes of men of capital and talents into England, as to the only country in which they could enjoy the privileges of liberty, a safe asylum, domestic tranquillity, peace, legal security, and prosperity. More recently the French Revolution and the imperial wars had the same result, and so also the political troubles, reactionary or revolutionary, of Spain, Mexico, and Southern America. For a long time England has secured by Patent Laws a large share of the inventive genius of all countries. It is but just, that after having reached at this day the height of her industrial development, she should restore to the nations of the continent some portion of the productive power which she has borrowed from them.

CHAPTER V.

SPAIN AND PORTUGAL.

WHILST the English were occupied during centuries in constructing upon a solid foundation the edifice of their natio al prosperity, the Spaniards and Portuguese were indebted for their rapid and great fortune to their maritime discoveries. But it proved only the wealth of spendthrifts of the highest prize in the lottery, whilst the wealth of England was like that of an industrious and economical father. By his expenditure and by his luxury, the former may, for a time, become the object of envy, but his riches are wasted in prodigalities, in pleasures

of the moment, whilst the other finds in wealth an effectual means of securing the moral and material well-being of his latest posterity.

The Spaniards possessed, at an early day, large flocks of sheep; we are informed that Henry I., of England, as far back as 1172, was inclined to prohibit the importation of Spanish wools, and that since the tenth and eleventh centuries the woollen manufactures of Italy drew from Spain the chief part of their raw material. Two centuries before the inhabitants along the coast of the Gulf of Gascony had distinguished themselves by the manufacture of iron, by their skill in navigation and in the whale fishery; in 1619 they were still so superior to the English that the latter sent fishermen thither to increase their skill in that branch of industry.*

In the tenth century, under Abdulrahman III., from the year 912 to 950, the Moors cultivated in the fertile plains of Valencia vast plantations of cotton, sugar, and rice, and were producers, to some extent, of silk.† Cordova, Seville, and Granada had also in the time of the Moors considerable manufactures of cotton and silk.

Valencia, Segovia, Toledo, and many other cities of Castile were distinguished by their manufactures of wool. Seville alone numbered sixteen thousand looms, and the woollen manufactures of Segovia employed thirteen thousand workmen in 1552. Other branches of industry, especially the manufacture of arms and paper, were developed in the same proportion. Down to the time of Colbert the French received their fine cloths from Spain.‡ The sea-ports of that country were animated by extended commerce and an active maritime fishery; and down to Philip II. her marine surpassed that of any other nation. In a word, Spain possessed all the elements of power and prosperity until religious fanaticism conspired with despotism to extinguish the genius of the nation. That work of darkness was commenced by the ex-

* Anderson, vol. i., page 127; vol. ii., page 350.

† Simon: Recueil d'Observations sur L'Angleterre. Ustaritz: Theorie et de pratique du Commerce.

‡ Chaptal d'Industrie Francaise: vol. ii.

pulsion of the Jews, and terminated by that of the Moors; two millions of the most industrious and the richest of her inhabitants were thus thrust out of Spain with their capital. Whilst the inquisition thus applied itself to banish national industry, it exerted itself with equal success in preventing the establishment in Spain of foreign manufacturers.

The discovery of North America and of the route to India by the Cape of Good Hope increased only in appearance, and for a time, the wealth of Spain and Portugal. Their industry and power received from it at last a death-blow. For, instead of receiving the products of the two Indies in exchange for their own manufactures, as did Holland and England at a later period, they bought goods manufactured in foreign countries with gold and silver extorted from their colonies, they transformed useful and industrious citizens into overseers of slaves and colonial tyrants; they stimulated the industry, commerce, and navigation of Holland and England, awakening rivals who soon became powerful enough to destroy their fleet and to wrest from them the sources of their opulence. The kings of Spain in vain prohibited the exportation of money and the importation of manufactures; the spirit of enterprise, the love of labor and commerce take deep root only in the soil of political and religious liberty; gold and silver stay only where industry attracts and employs them.

Portugal, however, under a skilful and an energetic minister made progress in manufactures and industry, the first results of which astonish us. That country, like Spain, was the immemorial possessor of large flocks of sheep. Strabo relates that a fine breed of sheep had been introduced there from Asia, and that a single sheep was sold as high as one talent. In 1681, when Count Ereceira came to the ministry, he conceived the project of establishing in the country manufactures of cloth, with the view of using their own wool and thus supplying Portugal and her colonies. For this purpose manufacturers of woollen cloth were brought over from England, and through the encouragement given them, the manufacture took root so quickly that, at the end of three years, 1684, they were able to prohibit the importation of foreign cloth. From that moment Portugal, from her

own stock of wool, supplied her own consumption of cloth; and, according to the report of an English writer, her industry flourished for nineteen years.* The English, in this instance, gave early proof of that skill, in evading commercial regulations, which they have since carried to the highest degree of perfection; to escape these Portuguese restrictions they manufactured woollen goods, different from the ordinary woollen cloths, but suitable for the same uses, and introduced them into Portugal under the name of serges or woollen druggets. But this artifice was soon discovered and counteracted by the prohibition of such stuffs.† The success of this effort is the more surprising, as but a short time before Portugal had lost by the expulsion of the Jews a large amount of capital, and was still a prey to all the evils of fanaticism, still groaning under a detestable government, suffering from a feudal aristocracy pressing heavily, not only upon public liberty, but upon agriculture.

In 1703, after the death of Count Ereceira, the famous English minister Methuen succeeded in persuading the Portuguese government that it would be extremely advantageous if Portugal could have her wines admitted into England, paying one-third less duties than the wines of other countries, upon the simple condition of receiving English cloths at the rate of duty established previous to 1684, or twenty-three per cent. On the part of the king the hope of increasing his income by customs, and on the part of the aristocracy the hope of increasing their rents, were the ruling motives for that treaty of commerce; since that time, the king of England has called the king of Portugal his most ancient *friend and ally*, and in the same sense as the Roman Senate conferred these titles upon the sovereigns who were unfortunate enough to be subjected to such intimacies.

Immediately after the treaty went into operation, Portugal was overflowed with English goods, and the first effect of this inundation was the sudden and complete ruin of the Portuguese manufacturers; an effect quite similar to that of the treaty of

* British Merchant, vol. iii., p. 69. † Ibid, vol. iii., p. 71.

Eden, afterwards concluded between France and England, and to that of the suppression of the continental system in Germany.

According to Anderson, the English were even then such adepts in the art of under-valuing goods, that they *did not pay in reality more than half of the duties imposed by the tariff.**

"But after the taking off of that prohibition, we brought away so much of their silver as to leave them very little for their necessary occasions, and then we began to bring away their gold." †

The English continued that operation down to the present time; they drew off the precious metals received by the Portuguese from their colonies, and exported a great part of them to China, where, as has been shown in speaking of England, they obtained for them goods which they exchanged upon the continent for raw materials. The yearly exports of England to Portugal exceeded the imports thence one million pounds; this balance in favor of England depressed the rate of exchange fifteen per cent., to the detriment of Portugal. We have a greater balance of trade with Portugal than with any other country whatsoever, says the author of the "*British Merchant,*" in his dedication to Sir Paul Methuen, the son of the celebrated minister; we have increased our exports thither, from about three hundred thousand pounds a year, to near a million and a half.

That treaty has since been regarded by the merchants, by the economists, and by the statesmen of England, as a master-piece of English commercial policy. Anderson, who is shrewd enough in what regards the commercial interests of his country, and who expresses himself throughout with great frankness, though after a manner of his own, calls it a treaty *eminently equitable and advantageous*, and he cannot forbear exclaiming, naïvely, "may it last for ever!" ‡

It was reserved for Adam Smith to express views diametrically opposed to the received opinion, and to maintain that the treaty of Methuen had procured no considerable advantages for English

* Anderson; vol. iii., p. 67. † British Merchant; vol. iii., p. 15.
‡ Anderson: year 1703.

trade. If any thing attests the blind respect with which the public has adopted the paradoxes of that illustrious man, it is the fact that such an assertion has remained without a contradiction.*

In the fourth chapter of Book VI., Smith says that the treaty of Methuen, by admitting Portuguese wines at a duty one-third less than that charged upon other wines, had granted the Portuguese a privilege; whilst the English, being obliged to pay upon their cloths in Portugal the same duty as other nations, had received nothing in exchange. But the Portuguese previous to this had purchased from France, Holland, Germany, and Belgium, a large proportion of the foreign commodities required for their consumption. Did not the English from that time enjoy a monopoly of the Portuguese market for products manufactured by them, and of which they also possessed the raw material? Did they not find in this trade full compensation for the heavy duties? Did not the course of exchange favor the consumption of Portuguese wines in England by the difference of about fifteen per cent? Did not the exportation of French and German wines to England nearly altogether cease? Did not the gold and silver of Portugal furnish England the means of buying in India large stocks of goods, with which the continent of Europe was inundated? Were not the manufactures of cloth in Portugal entirely ruined for the benefit of the English manufactures? Did not all the colonies of Portugal, and especially rich Brazil, thus become virtually English colonies? Of course that treaty gave to Portugal a *privilege*, but one *merely nominal;* it conferred upon the English a *privilege de facto.* The same spirit pervades other commercial treaties of England. Thus, cosmopolites and philanthropists in words, the English have ever been monopolists in practice.

According to the second argument of Adam Smith, the treaty has not been advantageous to England, for the following reason:

* The French translator agrees with List, and remarks that Smith has been contradicted in this opinion. He cites this passage from Blanqui: "Facts have demonstrated forcibly enough that the Treaty of Methuen was no disadvantage to Great Britain." Blanqui is of Smith's school. — S. C.

The money received from the Portuguese for cloths was sent, in great part, to other countries to be exchanged for goods, whilst it would have been more profitable to exchange the cloths at once for the goods they wanted, obtaining by one operation, what in their commerce with Portugal required two exchanges. But for our high opinion of the character and sagacity of this celebrated writer, such reasoning might lead us to doubt his sincerity or his intelligence. For the honor of both, we shall limit our remarks to an expression of regret at the weakness of human nature, from which, even Adam Smith could not escape whilst uttering these strange and almost ridiculous arguments, blinded as he was by the idea, not ungenerous in itself, of justifying absolute free trade.*

The argument we have just quoted is not more reasonable, nor more logical than this: that a baker who sells bread to his customers for money, and with that money buys flour from the miller, is not doing an advantageous business, because he is not directly exchanging his bread for flour, and is carrying on his

* Smith, like many others, was smitten with a love of free trade, because it implied a love for freedom in general. But he was not sufficiently familiar with the details to understand the effects of free trade in its actual results. The very spirit of the doctrine is that individuals must be left to pursue trade in their own way. Now the operation which Smith regards as of such disadvantage to England was the combined movement of English merchants acting freely upon a certain condition of things. It was individual judgment and skill which determined the whole course of the trade. If English merchants had known any better market for their cloths than that of Portugal, they would have sent their cloths to it. But they sent them to Portugal, taxed the Portuguese with a heavy exchange, and exported the precious metals to India, by which they monopolized the India trade, on which they made large profits in their traffic with the Continent, by the same operation injuring the cotton and silk manufactures of the Continent, whilst they protected their own. The great object of wise industrial and commercial legislation is to protect home industry, save it from revulsions and fluctuations originating abroad, and to furnish merchants a sphere of operations in which they may display all their skill and enterprise without injury to the industry of their own country. This is the policy which England has pursued with little deviation for more than two centuries. All the testimony goes to show that the trade with Portugal was one of the most profitable enjoyed by England. — S. C.

business by two exchanges instead of one. It does not require much sagacity to suggest that perhaps the miller does not consume as much bread as the baker would furnish; that perhaps the miller himself prefers to bake his own bread, that he may, in fact, be a baker, and that, of course, the business of the baker could not have been carried on without the two exchanges. Such was the commercial position of Portugal and England at the time of that treaty. Portugal received from South America gold and silver for the commodities she sent thither; but either through want of industry or want of good sense she neglected to manufacture the commodities required for her own consumption, preferring to obtain them in England in exchange for the precious metals.

That portion of those precious metals, which was not required for the circulation of their own country, was exported by the English to the East Indies and to China, and employed in the purchase of goods to be disposed of upon the continent of Europe, whence they imported agricultural products, raw materials, and sometimes even the precious metals.

We inquire then seriously, in the name of common sense, who would have purchased from the English all the cloths sent by them to Portugal, had the Portuguese preferred to manufacture for themselves, or to buy them elsewhere? Not being saleable in Portugal, and other countries being already supplied with all they would take, they must, of course, have discontinued manufacturing for Portugal; they must have discontinued sending the precious metals to India; their commerce between India and the Continent of Europe must come to an end, and, of course, they must have imported from that continent a quantity proportionably less of raw materials.

The third argument of Adam Smith, that the English not receiving the precious metals from Portugal, would have procured them elsewhere, will not bear examination. Portugal, says he, would have sent abroad her surplus of precious metals, and in one way or in another consequently, they must have come at last to the hands of the English.

If the Portuguese had manufactured their own cloths, if they

had sent to China and the East Indies the surplus of their precious metals, and had sold their return cargoes in other countries, we need scarcely affirm that the English would have seen very little Portuguese gold. It would have been just the same if Portugal had made a treaty like that of Methuen with Holland and France. In both cases England would, of course, have received some money, but only what would have been realized upon her sales of raw wool. In short, the manufacturing industry, and the commercial navigation of the English, would never have made the progress they did but for the treaty of Methuen.

But whatever opinion is entertained as to the results of the treaty of Methuen upon England, it must be admitted that with regard to Portugal they have not been such as to encourage other countries to sacrifice their manufacturing industry to English competition, with the view of favoring the export of their own agricultural products.*

The agriculture and manufactures, the commerce and navigation of Portugal far from being invigorated by this arrangement with England, declined thenceforward without intermission. Pombal vainly attempted to revive them; English competition rendered all such efforts powerless. Moreover, it cannot be denied that in a country like Portugal, where the whole social system was a clog upon the development of agriculture and trade, mere commercial policy could effect nothing satisfactory. The good done by Pombal, though little, shows, however, what important services a government, animated with a desire to promote industry, can render it whenever the social obstacles which interfere are removed.

A similar experiment was tried in Spain in the reign of Philip V. and his two immediate successors. Inadequate as was the protection accorded by the Bourbons to national industry, and inadequate as was the execution of the laws for the collection of duties, all branches of industry, all the provinces of the

* The English injured no industry of their own by receiving the wine of Portugal, and all the encouragement to the import of that wine was so much favor to her own manufactures of wool. — [S. C.]

kingdom received a visible and remarkable impulse from the introduction into Spain from France of Colbert's commercial policy.* The reader of Ustaritz and Ulloa cannot but be astonished at the results in such a nation. Roads throughout the whole country were so bad as to be practicable only for mules; without good inns for travellers, without bridges, canals, or river navigation; the provinces all separated by lines of custom-houses, a royal toll-house at the gates of every city; robbery and beggary followed as trades; the commerce of contraband at the highest degree of activity, a system of taxation wholly ruinous; such, according to those writers, were the causes of the decay of industry and agriculture. They dared not denounce the chief causes of these evils — the fanaticism, avarice, and other vices of the clergy, the privileges of the nobility, and the despotism of the government, the lack of knowledge, and the need of liberty among the people.

A worthy counterpart of the treaty of Methuen is the treaty of Assiento, made with Spain in 1713; by authorizing the English to carry yearly into Spanish America a certain number of negroes from Africa, and to visit the port of Porto-Bello, every year with one ship, the English were enabled to introduce by fraud into those countries a vast quantity of manufactured goods.

Thus all the English treaties of commerce exhibit a constant tendency to make every country with which they negotiate subservient to their industry and profit, offering to all apparent advantages in the purchase of agricultural products and raw materials. Their constant effort has been to ruin the industry of other countries by the cheapness of their manufactures and by the length of their credits. When they cannot secure a low tariff, they try by fraud or cunning device to elude the duties, or they organize smuggling upon a large scale; they succeeded by the first plan in Portugal, and by the second in Spain.

* Macpherson, Annals of Commerce, years 1771–1774. The restrictions upon the import of foreign products contributed powerfully to the development of Spanish manufactures. Until then, Spain had derived nineteen-twentieths of her supply of manufactured goods from England. — *Brougham: Researches upon the Colonial Policy of the European powers;* vol. i.

The imposition of duties *ad valorem* upon importations, has been especially to their advantage; it was with a view to this policy that they recently endeavored to discredit the system of duties by weight, established by Prussia.*

* That the commercial policy long pursued by England is here correctly stated, every one familiar with the history of commerce, knows. England has thus undoubtedly built up a vast manufacturing power and a vast commercial marine. We must, however, be careful not to regard this as the highest national duty or benefit. The chief end of a Government should be the happiness and welfare of its people. The English Government bent all its powers to promote its foreign commerce; even the protection to home industry was mainly to promote foreign trade. The idea that if trade without was great and prosperous all must go right within, seemed to prevail. The aim was to obtain possession of foreign markets by every means, fair or unfair. The chief mode, however, was of course underselling others. England aimed to become manufacturer for the world at lower prices than any of her rivals. That policy made a few large cities and a few very rich merchants. But it contained one bad feature for the people of England, — they were called upon to furnish goods cheaper than all other people — they were called upon to produce not for themselves but for the world. This implied the lowest possible wages to the laborer. England has sold goods lower than any other country, except those of the East Indies and China, and she has given the largest and the longest credit; and we say that the whole burden of this fatal policy has been laid upon the working population of Great Britain. The large manufacturers and the great merchants have made their profits — but look at the manufacturing population of that country. What has been the benefit to them? Are they any better clothed or fed? Are they not rather the slaves of this infatuated pursuit of foreign commerce at the expense of the laborer at home? England was right in protecting her industry, but the protection of industry should not be for the glory of an increased foreign trade, for the construction of a navy, or the increase of the commercial marine, for the building of large commercial cities, or the enriching of a few thousand merchants, but for their benefit whose industry is thus protected. It is not for the benefit of the merchants or the manufacturers, but for the benefit of the people, — all the people, that industry should be protected.

No foreign trade can be useful to a whole population, unless the home trade is first carried to its proper limits. The people must first manufacture for themselves, to the full extent of their wants at home, before they attempt to furnish goods at such cheap rates that they will sell in any market in the world. The people of Great Britain should be enabled to make a full exchange among themselves of their own products, let what may become of their export trade. The average annual consumption of

CHAPTER VI.

FRANCE.

France had also preserved some remnants of Roman civilization. Under the influence of the Germans, who were inclined only to the chase, and who had suffered fields formerly cultivated to return to a state of wilderness, those remnants of ancient civilization in a great measure disappeared. It was to the monasteries, afterwards so great an obstacle to civilization, that France, as well as the rest of Europe, was indebted during the Middle Ages for the chief part of her progress in agriculture. The inhabitants of convents did not engage in feuds and bloodshed like the nobility, they did not oppress their vassals with military service, their fields and their cattle were less exposed to pillage and destruction. Ecclesiastics loved good living, they hated war and sought to acquire consideration by helping the poor. Hence the proverb, "It is good to live under the crosier."

The crusades, the foundation by St. Louis of the communes and corporations, the vicinity of Italy and Flanders, gave early aid to the development of art and trade in France. Since the fourteenth century, Normandy and Brittany furnished stuffs of

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the population per head in Great Britain and Ireland, does not much exceed seventy dollars, for food, clothing, and other necessaries; whilst in the United States it falls little short of a hundred dollars. The true problem in Great Britain and Ireland is to increase the consumption of the people; that is, to enable them to purchase better food and more of it, and better clothing and more of it; and so of other necessaries and comforts of life. If twenty-five dollars per head were thus added to the yearly consumption of man, woman, and child in Great Britain and Ireland, it would furnish an additional home market for their industry of more importance than all their foreign trade. And it may be fairly conjectured that if this were judiciously effected the foreign trade would not be less. The imports of Great Britain do not vary far from twelve dollars per head of the population; but they do not furnish so much for individual consumption, as they consist mainly of raw materials, which are re-exported. — [S. C.]

wool and flax for domestic consumption and for export to England, the shipment thither in the same period of wine and salt, especially by the intervention of the Hanseatic cities, being considerable. Francis I. introduced the manufacture of silk in the south of France. Henry IV. favored it, as well as those of glass, linens, and woollens; Richelieu and Mazarin also encouraged the silk manufacture, the making of velvets and the woollens of Rouen and Sedan as well as fisheries and navigation.

No country felt more than France the discovery of America. The western provinces sent their wheat to Spain. The peasants emigrated every year in large numbers from the foot of the Pyrenees to the north-eastern part of Spain, seeking employment. Vast quantities of wine and salt were sent to the Spanish Netherlands; silks, velvets, and other articles of luxury of French manufacture, found an important market in the Netherlands, in England, Spain, and Portugal. Spanish gold and silver entered abundantly at an early day into the circulation of the kingdom.

The splendid period of French industry commenced, however, only with Colbert.

At Mazarin's death the manufacturing industry, commerce, navigation, and the maritime fisheries of the country had lost their importance, and its finances were in a deplorable state. Colbert had the courage to undertake alone a work that England had accomplished only by three centuries of efforts and two revolutions. He invited from every quarter manufacturers and the most skilful workmen, he paid for the secrets of manufacturers and procured better machinery and better implements. By the aid of a well-conceived general system of customs, he secured to the industry of the country the home market by suppressing or limiting as much as possible the provincial customs: by constructing roads and canals, he promoted domestic trade.

Agriculture derived even more advantage than manufactures from these various measures; the consumers of its productions were increased from two to three fold, and the producers and consumers were brought into easy communication. He favored

agriculture still farther by the diminution of the direct taxes upon land, by relaxing the processes of collection, hitherto very rigorous; by a more equal apportionment of the burdens; finally by measures tending to reduce the rate of interest. He prohibited exportation of grain only in times of scarcity. He had especially at heart the extension of foreign commerce and the development of the fisheries; he resumed trade with the Levant, enlarged the colonial commerce, and opened up a trade with the North. In all branches of the administration he introduced the strictest economy and order. France, at his death, reckoned fifty thousand looms for wool, and produced silks to the value of fifty million francs; her public income had increased twenty-eight millions; she possessed flourishing fisheries, a vast navigation and a powerful navy.*

A century afterwards, the economists censured Colbert severely, pretending that that statesman had favored manufacturing industry at the expense of agriculture, a censure which proves only that they did not comprehend the nature of manufacturing industry.†

Though Colbert committed a fault in discouraging or opposing the export of raw materials, he increased, by this development of manufacturing industry, the demand for agricultural products, and thus indemnified agriculture tenfold for any injury inflicted upon it by those restrictions. If, contrary to the principles of enlightened policy, he prescribed new processes and compelled manufacturers to adopt them, it should be remembered that they were, after all, the best and most advantageous of his time, and

* Necker: *Eulogy of Colbert*, 1773.

† Quesnay, in his *Physiocratie*, Note 5 to Maxim VIII., undertakes, in two pages, to demolish the whole policy of Colbert's administration. Necker required an hundred pages to set forth its wisdom and merits. It is hard to say whether we ought to be more astonished at the ignorance of Quesnay in all that concerns industry or finances or at the presumption with which, without adequate motive, he abuses such a statesman as Colbert. This ignorant dreamer had not even the frankness to mention the expulsion of the Huguenots. Nay, he has not blushed to assert, in the face of opposing facts, that Colbert obstructed by vexatious regulations the domestic trade in grain.

that he had to do with a people in a state of apathy, superinduced by long endurance of despotism, repelling every novelty even when it promised great advantage. The reproach of having, by his protective system, destroyed French industry in a large degree, could be uttered against Colbert only by a school entirely ignorant of the revocation of the edict of Nantes and its fatal consequences. By that deplorable step France lost after the death of Colbert, in the space of three years, half a million of her most industrious, her richest, and most skilful inhabitants, who, to the double prejudice of their own country, which they had enriched, carried their industry and their capital to Switzerland, Protestant Germany, and particularly to Prussia, as well as to Holland and England. Thus the intrigues of a bigoted mistress destroyed in three years the splendid work of a whole generation, and plunged France into her ancient apathy; whilst England, sustained by her constitution, and stimulated by the energy which her revolution had imparted, pursued unremittingly and with increasing ardor the policy of Elizabeth and her predecessors.

The sad state into which the industry and finances of France had been reduced by the protracted incapacity of the government, and the spectacle of the great prosperity of England, excited, for a short time before the French revolution, the emulation of the statesmen of that country. Preoccupied with the empty theory of the economists, and departing from Colbert's successful policy, they sought a remedy in the establishment of free trade. They expected to restore, with a few strokes of the pen, the lost prosperity of the kingdom, by procuring for French wines and brandies a more extensive market in England, in return for admitting the manufactured products of England, upon the more favorable conditions of a duty of twelve per cent. Delighted with this proposition, England cheerfully conceded to France a second edition of the treaty of Methuen in the treaty of Eden, a present which soon produced effects quite as disastrous as the Portuguese original.

The English, accustomed to the stronger wine of Portugal,

did not increase their consumption of French wine as rapidly as was expected. On the other hand, the French soon discovered with dismay that they could only export to England articles of fashion and luxury, the whole value of which was insignificant; that the English manufacturers had far the advantage of theirs, as well in cheapness of their goods, as in their superior qualities, and in the length of credits, given for all articles of first necessity, the total value of which was immense. This foreign competition having in a short space of time reduced the French manufactures to the very verge of destruction, the French vineyards having in the mean time realized but little advantage, the government attempted, by the abandonment of the treaty, to stay the progress of ruin. Fatal experience soon evinced, that it is much easier in a few years to ruin a flourishing industry, than to build one up in a whole generation. English competition had established in France a taste for English articles, which for a long time stimulated and supported an extensive contraband trade difficult to suppress. After the discountenance of the treaty, the English had much less difficulty in returning to the wines of the peninsula.

Though the troubles of the revolution, and the continual wars of Napoleon, were far from favorable to French industry, and though, during that period, France lost the greatest part of her foreign commerce and all her colonies, French manufactures, favored only by the exclusive possession of their own markets, and by the abolition of feudal impediments, enjoyed under the empire a prosperity greater than under any former dynasty. The same remark has been made with regard to Germany, and to the other countries subject to the restrictions of the continental system.

In his peremptory style, Napoleon had said, that a country which, in the actual state of the world, should attempt to carry out the principle of free trade, would be ground to dust.* By this he evinced more political good sense than the contemporary economists in all their works. We cannot but be astonished at the sagacity with which this great man, without having studied

* These words are attributed to him: — "If an empire were made of adamant, Political Economy would grind it to dust." — [S. C.]

the systems of political economy, appreciated and understood the nature and importance of manufacturing industry.*

"Formerly," Napoleon is reported to have said, "there was only one kind of property, land; another has since arisen, industry." Napoleon then saw, and expressed clearly, what the economists of the time did not see, or at least did not distinctly express, that a country which unites manufacturing industry and agriculture, is far better adjusted, and far richer, than a country merely agricultural. What Napoleon has done to consolidate or develop the industrial education of France, to reanimate credit, to introduce and to bring into use new discoveries and improvements to perfect the means of conveyance, is too well known to require repetition here; but it may be useful to recall the strange and unjust censures which theorists have pronounced against that enlightened and firm ruler.

The downfall of Napoleon was the signal for English competition, restrained during his rule to the work of smuggling, to assert and regain its power upon the continent of Europe and America. For the first time, the English were then heard to denounce the protective system, and to extol Adam Smith's theory of free trade, a theory which these practical Islanders had hitherto branded as utopian. Every calm observer could easily see that the enthusiasm of philanthropy had little to do with this conversion, for these cosmopolite doctrines were only brought forward when the subject of discussion was the exportation of English manufactures to the continent of Europe or that of America, but when the free importation of grain, or even competition with foreign manufactures in the English market

* Chateaubriand, in his *Memoirs from beyond the Tomb*, volume fifth, informs us that this extraordinary man was no stranger to economical studies. "Between 1784 and 1793, was the period of the literary career of Napoleon,—a space short in time, but long in labors. He applied himself to the historians, philosophers, economists; to Herodotus, Strabo, Diodorus Siculus, Filangieri, Mably, Smith, &c." — [H. R.]

It should be added, that the great collection of the Political Economists of Italy, by *Baron Custodi*, in fifty volumes 8vo., is some evidence of his attention to the subject; this collection having been made at his instance and expense during his possession of Italy. — [S. C.]

was in question, quite another doctrine was often put forth.* The long application of an unnatural system had unhappily, they said, created in England an artificial state of things, which could not be suddenly changed without the most fatal consequences; they were obliged now to proceed with much circumspection and prudence; that England, indeed, was to be pitied; that it was very fortunate for the nations of Europe and of America, that their position and circumstances allowed them to enjoy at once the full benefits of free trade.

France, though her old dynasty had been brought back to her, under the banner, or at least by the gold of England, listened but a short time to these arguments. Free trade with England occasioned such dreadful disasters to an industry which had grown up under the continental system, that it became necessary

* An intellectual American orator, H. Baldwin, now one of the Judges of the Supreme Court of the United States, remarked, with equal justness and shrewdness, of Canning and Huskisson's free-trade doctrines, "that it was with their speeches as with many other British manufactures, they were made, not for home consumption, but for exportation."

We know not whether to laugh or weep when we contemplate the enthusiasm with which the cosmopolite theorists, and among them J. B. Say, receive the announcement of the reforms of Canning and Huskisson. From their joy we might have supposed that the millennium had arrived. Here is what the biographer of Canning has said of the opinions of that minister upon free trade. "Canning was perfectly convinced of the truth of the abstract principle of free trade, that commerce is sure to flourish most when wholly unfettered;† but, since such had not been the opinion either of our ancestors or of surrounding people, and since in consequence restraints had been long imposed in commercial transactions, a state of things had grown up to which the unguarded application of the abstract principle, however true it was in theory, might have been somewhat mischievous in practice." — *Stapleton's Life of Canning*, page 3.

In 1828, the English policy was revealed, with great distinctness, by the Liberal, Joseph Hume, who spoke, without reserve, of strangling the manufactures of the continent.

† Free commerce may prosper more, the fewer the restraints; but are the interests of the country and its whole people identical with the interests of the merchants? Is foreign commerce to be the guiding star of American legislation? Is the whole country to be governed by their policy who may happen to be most interested in foreign commerce? — [S. C.]

to seek a speedy refuge in the prohibitive system, under the shield of which, according to the testimony of M. Dupin,* the manufacturing industry of France doubled between 1815 and 1827.

CHAPTER VII.

GERMANY.

We remarked, when speaking of the Hanse Towns, that Germany, after Italy, but long before the other European States, had prospered by commerce; we propose now to continue the industrial history of that country, glancing first at her primitive condition and early developments.

The greatest part of the soil of ancient Germany was used for pasturage and for warrens. The slaves and women were employed in an agriculture at once insignificant and rude. The free men were exclusively engaged in war and hunting, which is the origin of the German nobility.

This nobility, during the whole of the Middle Ages, was never otherwise than oppressive to agriculture, hostile to manufacturing industry, and blind to the advantages which, in its character of proprietor of the soil, it might have drawn from the prosperity of both.

Devotion to its ancient but favorite occupation is still so deeply rooted in that class, that even in our day, though long since enriched by the plough and the shuttle, it keeps up the subject of warrens and the chase in its legislative assemblies, as if the wolf and the lamb, the bear and the bee, could live peaceably side by side; as if the soil could be used at the same time for garden and orchard, for intelligent husbandry, and for the keeping of wild boars, deer, and hares.

The agriculture of the Germans remained long in this rude state in spite of the remarkable influence which cities and monasteries had in their several vicinities.

* Dupin: *Productive Forces of France.*

Cities arose in the ancient Roman colonies near the residences of Princes and Lords, spiritual and temporal, by the side of monasteries, upon the domains and around the palaces of the Emperors who aided them, and in places where fisheries and communications by water and by land indicated suitable localities. The wants of these localities and the demands of intermediate commerce, were nearly their only means of prosperity. Before any considerable industry could be established, especially with reference to foreign markets, great flocks of sheep and extensive flax culture were required. But the culture of flax supposes an advanced state of agriculture, and the raising of sheep upon a large scale requires security from wolves and robbers. The last condition was impossible, where nobles and princes were engaged in incessant quarrels among themselves and with the cities. The cattle of the pastures were always the first prey. Moreover, the vast forests, which, in their passion for the chase, the nobility carefully maintained, made the extrication of ferocious animals almost impossible. The deficiencies of herds and flocks, the want of legal security, capital, and liberty, the enslaved condition of those who held the plough, as well as the want of interest in husbandry among the owners of the soil, arrested necessarily the progress of agriculture, and consequently, the industry of the cities.

With these views before us, it is not difficult to understand how Flanders and Brabant, in very different circumstances, reached at an early day so high a degree of liberty and prosperity.

German cities, in spite of these obstacles, flourished upon the Baltic and North Sea, by the aid of fisheries, navigation, and by foreign commerce carried on by sea; so also, some cities in upper Germany, near the foot of the Alps, under the influence of Italy and Greece, with a foreign commerce carried on by land; so also, some on the banks of the Rhine, the Elbe, and the Danube, by culture of the vine, and trade in wine, by the wonderful fertility of the soil, and by the river navigation, which, during the Middle Ages, when roads were bad and insecure, was of more importance than in our day.

Diversity of origin explains the diversity of associations which existed among the German cities, under the names of Hanseatic, Rhenish, Suabian, Dutch, and Swiss Leagues.

Strong for a time in the spirit of liberty which animated them at the beginning, these associations needed a guarantee of duration, a principle or cement of unity; separated from each other by the possessions of the nobility and the servile population of the country, their union could not fail to be severed, soon or late, by the effect of continental development and the increasing wealth of the rural population, among whom the power of the princes maintained union. By promoting and securing the prosperity of agriculture, these cities contributed to their own ruin, for they failed to unite with either the rural population or the nobility. They needed for that purpose more intelligence, and more knowledge; but their political views, unfortunately, seldom extended beyond their walls.

Two of those leagues only realized such a combination of interests, and these not of purpose, but by force of circumstances; we mean the Swiss Confederation and the Seven United Provinces; and these remain to this day.

The Swiss Confederation is nothing else than an agglomeration of German imperial cities, formed and cemented by the free population of the country which lies between them.

The others owe their union to their contempt for the rural population, to that foolish pride of the inhabitants of cities which induced them to keep the people of the country in a humble condition, instead of elevating them.

Cities could only become united under the wing of hereditary monarchy. But monarchy in Germany was under the control of princes who, that their wishes might not be counteracted, and that they might more effectually control the cities and the inferior nobility, were interested in the restraint or limitation of hereditary rights.

We can see why the idea of a Roman Empire was kept up among the German monarchs. They were powerful only at the head of armies; they were able to unite princes and cities under a common flag, only to make war abroad. For this reason

municipal liberty was favored in Germany, whilst in Italy it was opposed and oppressed. The Roman expeditions not only gradually weakened sovereign authority in Germany, but even ruined those dynasties, which might have succeeded in establishing compact kingdoms or powers within the Empire and in the very heart of the country. When the dynasty of Hohenstaufen was extinguished, the heart of the country was broken into a thousand pieces.

The feeling that it was impossible to reunite these broken remains, led the House of Hapsburgh, originally so weak and so destitute, to employ the national power to found in the south-eastern part of the Empire a compact hereditary kingdom by the subjugation of foreign tribes. This policy was followed in the north-east by the Margraves of Brandenburg.

Thus were founded in the south-east and north-east two hereditary monarchies, based upon the subjugation of foreign tribes, whilst in the north-west and the south-west there arose two republics, which became gradually more estranged from Germany, and whilst in the interior, in the very heart of the country, this extreme subdivision and its necessary results, weakness and want of combination, became constantly increasing evils.

The misfortunes of the German people were completed by the invention of powder and of printing, by the preponderance of the Roman law, by the Reformation, and finally by the discovery of America and the new route to India.

The moral, social, and economical revolution which followed begot division and discord in the Empire, division among princes, division among cities, division even among the citizens of the towns, and their neighbors of every condition. The energy of nations was then averted from manufacturing industry, from agriculture, commerce, and navigation, from the acquisition of colonies, from the improvement of institutions, and generally from all positive amelioration; the great struggle of that period was for dogmas and for the heritage of the Church.

The Hanse Towns and Venice fell during that time, and with

them the foreign commerce of Germany and the power and liberty of the Northern and Southern German cities.

The thirty years' war soon after extended its devastations over all the countries and all the cities of Germany. Holland and Switzerland were detached, and the fairest portions of the Empire were conquered by France. Mere cities, like Strasburg, Nuremberg, and Augsburg, which formerly had surpassed electorates in power, were then reduced to insignificance by the system of standing armies.

If the cities and the Imperial authority had been more closely united before that revolution, if a prince, exclusively German, had put himself at the head of the Reformation, and had established for the benefit of parties thus united, the power and the liberty of the country, the agriculture, manufacturing industry, and commerce of Germany would have received a new impulse and another development. How poor, how inapplicable, in the view of all these facts, appears the economical theory which makes the prosperity of nations to depend solely upon the efforts of individuals, and which does not perceive that the productive power of individuals depends in a great measure on the social and political state of the country!

The adoption of the Roman law weakened no country so much as Germany. The incredible confusion which it carried into private affairs was not its worst consequence. It caused a greater evil by creating a class of learned men and jurists, estranged from the people in mind and language, which regarded them as ignorant, and treated them as children who understood not the value of common sense; which constantly substituted secrecy for publicity, and which, in strict alliance with authority, was everywhere its organ and champion, and everywhere the foe of liberty. Thus at the beginning of the eighteenth century we still find barbarism in Germany—barbarism in literature, in language, in legislation, in the administration of justice, in the government, in agriculture, in the absence of manufacturing industry and foreign commerce, in the want of national unity and national power; on every side we find weakness and want of energy in what concerns other countries.

The Germans had preserved only their primitive character; their taste for labor, order, economy, and moderation, their perseverance and their boldness in research and in business, their sincere desire for whatever was good, their great natural fund of morality, caution, and thoughtfulness.

Such have been the characteristics of the governors and the governed. When nationality had almost entirely disappeared, and when the people began to enjoy some tranquillity, an effort was commenced in every special territory, to organize, to ameliorate, to advance. In no other countries were education, morality, religious sentiment, art, and science, the object of so much solicitude. Absolute power was nowhere wielded with such moderation, and better employed in the propagation of useful knowledge, and in the maintenance of order and morality, in the repression of abuses and in the promotion of public prosperity.

The basis of the regeneration of German nationality was evidently first laid by the governments themselves when they conscientiously applied the income of the secularized property to education and public instruction, to the encouragement of art, science, and morality, and generally to objects of public utility. It is in this way that knowledge penetrated the government, the administration of justice, the processes of agriculture, and the industrial arts and commerce; and in this way, in one word, it penetrated the masses of the people.

German civilization has, therefore, followed quite a different path from that in other countries. Whilst everywhere else high culture of the mind has been the result of the development of industrial energies, the development of industrial power or energy in Germany has been the consequence of the moral and intellectual culture which had preceded it. The actual civilization of the Germans is, so to speak, theoretical. Hence that want of practical aptness, that awkwardness so frequently noticed by foreigners. They are like an individual who, having been hitherto deprived of the use of his limbs, has learned theoretically to stand and to walk, and has just commenced the practice of these functions. Hence their infatuation for systems

of philosophy and cosmopolite dreams. Their intelligence which has not been successful in the affairs of life has attempted to distinguish itself in the domain of speculation. The doctrines of Adam Smith and his disciples have, therefore, in no country found a better reception than in Germany; in no country has the free-trade generosity of Canning and Huskisson found more confiding friends.

Germany owes her first progress in manufactures to the revocation of the Edict of Nantes, and to the numerous refugees driven by that insane measure into almost every part of Germany, who established numerous manufactures of woollens, silk, jewellery, hats, glass, china, gloves, and many other articles.

The first public steps for the encouragement of manufactures in Germany were taken by Austria and Prussia; in Austria, under Charles VI. and Maria Theresa, but more especially under Joseph II. Austria had previously suffered considerable injury by the expulsion of the Protestants, her most industrious inhabitants, after which event no solicitude for knowledge nor for mental culture could be traced in Austrian councils. Nevertheless, by the aid of protective duties, improvements in the rearing of sheep, in the construction of roads, and by aid of other encouragements, the industrial arts made remarkable progress as early even as the reign of Maria Theresa.

That progress was still more rapid and successful under the energetic measures of Joseph II. It is true that at first the results were inconsiderable, because the Emperor, as was his custom, precipitated this reform, and because Austria was then very far behind other states. It was then seen that it was not best to attempt too much at once, and that protective duties, to operate conformably to the nature of things, and so as not to disturb existing relations, must not be too high in the beginning. But the longer this system has lasted, the more has its wisdom been revealed. Austria owes to it her present splendid industry and the prosperity of her agriculture.

The industry of Prussia had suffered more than that of any other country from the ravages of the thirty years' war. Her principal manufacture, that of cloths, in the March of Brandenburg,

had been almost annihilated. The larger part of the manufacturers had emigrated to Saxony, for even then the import of English goods kept down every branch of industry. Happily for Prussia, the revocation of the Edict of Nantes and the persecution of the Protestants in the Palatinate and in the Bishopric of Salsburg, took place at that time.

The great Elector comprehended now at a glance what before had been so clear to Elizabeth. Attracted by him, a great number of the fugitives made their home in Prussia, advancing its agriculture, introducing by their skill very many new branches of industry, and promoting both art and science. His successors followed his footsteps, but none with more zeal than that great king, who was greater by his wisdom in peace than by his success in war. It is not here necessary to enumerate circumstantially the numberless measures by which Frederick II. drew to Prussia a large number of foreign cultivators, by which he improved waste lands, encouraged the formation of meadows, the culture of grasses, of animal food, vegetables, potatoes, and tobacco, by which he improved the breed of sheep, cattle, and horses, furnished mineral manures, etc., and aided agriculturists with capital and credit. If he encouraged agriculture by these direct means, he rendered it still more important service indirectly by promoting home manufactures under a protective system established with that view, by facilitating the means of transportation, and by the institution of a bank of land credit. By these and similar measures he communicated a more powerful impulse to the progress of industry in Prussia than was felt in any other part of Germany. The geographical situation of the country and its division into separate provinces, were far from favoring this policy, and the disadvantage of high duties, as manifested at times in the pernicious results of smuggling, must have been much more injurious than in large states bounded by seas, rivers, or chains of mountains.

We intend not by this eulogy to justify the faults of this system, for instance, the restrictions upon the exportation of raw materials; but the powerful impulse it gave in spite of some errors to Prussian industry, cannot be doubted by any

enlightened and impartial historian. For every mind free from prejudice, and not obscured by false theories, must be satisfied that it was much less by her conquests than by her wise policy in the promotion of agriculture, manufactures, and commerce, and by her progress in literature and science, that Prussia has been enabled to take such high rank among European powers. All this was the work of a single man, one man of genius.

The crown was not, however, supported by the energy of free institutions: it was sustained indeed by a conscientious and well-regulated administration, but subjected to the restraints and hard mechanism of a hierarchical bureaucracy.

The rest of Germany had remained for centuries under the influence of free trade, that is, manufactured articles and other products could be carried into Germany, whilst German manufactures were excluded from almost every country whence these imports came.

To this rule there were some exceptions, but these were few. The experience of Germany should not be cited to prove the advantages of free trade, nor to fortify the doctrines of the school of political economy, which makes free trade its cardinal doctrine; for throughout Germany the progress was retrograde, and not in advance. Such cities as Augsburg, Nuremberg, Mentz, Cologne, &c., number now less than the third or the fourth part of their former population. War with them was at times the only resource for disposing of a surplus of valueless products.

The war came as a consequence of the French Revolution, and with it came the subsidies of England and her manufacturing competition upon the grandest scale; hence the ruin of manufactures in the midst of an increasing but merely *apparent* and transient prosperity of agriculture.

It was then that the continental blockade of Napoleon occurred to form an era in the history of German, as well as in that of French industry, though J. B. Say, the most celebrated disciple of Adam Smith, has stigmatized it as a calamity. It is acknowledged, however, in spite of theorists, and particularly of English theorists, all those who are acquainted with

German industry bear witness, and all enlightened statists furnish the evidence, that with that blockade commenced the upward impulse of German manufactures of every kind; the progress in the breeding of sheep previously begun, became then distinctly visible; the improvement of the means of communication received then, for the first time, due consideration. It is true that Germany lost, in great part, her former export trade, especially in linens; but the new profits largely exceeded the loss, especially for the manufactures of Prussia and Austria, which had got the start of all others in Germany.

At the return of peace, the manufacturers of England renewed or continued their formidable competition with those of Germany; for during a period of reciprocal restraint new inventions and the almost exclusive possession of the market of the world, had given them an immense superiority; better provided with capital, they could furnish better goods, and at lower prices, and give much longer credits than the Germans, who had still to struggle against the difficulties of a commencement. A general ruin and great distress ensued among the latter, and especially among the manufacturers of the lower Rhine, that region, which, having been for many years attached to France, was now shut out from the market of that country. The former Prussian tariff had undergone many modifications in the direction or interest of absolute free trade, but had proved no sufficient protection against English competition. Prussian bureaucracy, however, resisted for a long time all demand for assistance. It had been too deeply imbued through its universities with the theory of Adam Smith, to comprehend promptly the wants of the time. There were in Prussia at that time economists who dared even to propose the resuscitation of the Physiocratic system, then dead many years.

But here again the nature of things was stronger than theory. A deaf ear could no longer be turned to a cry of distress coming from manufacturers, the more especially when that cry came from the industry of a country which longed for its former union with France, and in which it was important for Prussia to maintain a good feeling. The opinion was then gaining ground

that the English government favored very efficiently the inundation of the continental markets with manufactured goods, for the purpose of smothering in the cradle the infant manufactures of the continent. That opinion has been ridiculed; but it was not surprising that such opinions prevailed, as the conduct of England was precisely that which such a policy dictated. The inundation took place precisely as if predetermined; an illustrious member of parliament, Henry Brougham, afterwards Lord Brougham, had plainly declared in 1815, that "England could afford to incur some loss on the export of English goods, for the purpose of destroying foreign manufactures in their cradle." That thought of a man, since so celebrated as a cosmopolite and liberal philanthropist, was ten years later reproduced, almost in the same terms, by another member of parliament, not less famed for his liberal views, Mr. Hume, who also desired "that the manufactures of the continent should be strangled in the cradle."

The petition of the Prussian manufacturers was heard at last, rather late, it is true, for they had been for years struggling between life and death, and the evil was corrected by the hand of a master. The Prussian tariff of 1818 met, at the time of its enactment, all the wants of Prussian industry, without unduly increasing the required protection, without restricting the needful relations of Prussia with foreign countries. This tariff was very much more moderate in its duties than the tariffs of England and France, as it should have been; for the object was not to pass by degrees from the prohibitive to the protective system, but from what is called free trade to protection. Another eminent merit of that tariff, considered as a whole, was, that the duties were chiefly specific according to the weight, and not *ad valorem*. Smuggling and under-valuation were thus not only prevented, but another great end was attained; articles of general consumption, which every country can most easily manufacture for itself, the home production of which was the more important on account of the high figure of its total value, were visited with the heaviest duties, these protective duties being reduced in proportion to the fineness and higher price of

the goods; consequently the temptation as well as the possibility of smuggling existed only where there was little or no interference with home industry.

This system of specific duties by weight, as may be readily imagined, bore more heavily upon the trade with other German States, than upon the foreign trade. The small interior States of Germany, already excluded from the markets of Austria, France, and England, were also almost entirely excluded from the markets of Prussia. This blow was the more sensibly felt, because many of them were wholly or partially enclosed by provinces of Prussia.

The same measures which had appeased the Prussian manufacturers excited painful sensations among those of the rest of Germany. Austria had but recently taxed the importation of German products into Italy, especially the linens of Upper Swabia. Restricted on all sides to the markets of the small States, and separated from each other by lines of custom-houses, the manufacturers of these States were in a condition of extreme distress.

It was this extremity which induced the establishment, in 1819, of the association of five or six thousand German manufacturers and merchants, at the Spring Fair of Frankfort on the Main, for the double purpose of abolishing internal customs and of establishing in Germany a common system of commerce and customs.

This association assumed a regular organization. Its statutes were submitted to the approbation of the German Diet, as well as of all the princes and all the governments of Germany. It had in each German city a local correspondent; in each country a provincial correspondent. All the members and all the correspondents bound themselves to labor with all their abilities and means for the common object. The city of Nuremberg was chosen as the centre of the association, and was authorized to name a central committee charged with the direction of its affairs, with the aid of an agent, a function to which the writer of this volume was called. A weekly paper, entitled, *The Organ of the Trade and Manufactures of Germany*, gave pub-

licity to the debates and the proceedings of the central committee, as well as to all reports, propositions, statistical exhibits, and notices touching the ends of the association. Every year a general meeting took place at the Fair of Frankfort, to hear the report of the committee.*

After the association had addressed to the German Diet a petition in which the necessity and the utility of the measures proposed by it were established, the central committee at Nuremberg commenced their work. It sent immediately a deputation to all the German courts, also to the ministerial congress, held at Vienna in 1820. The result reached at this congress was, that several of the smaller States agreed to hold a special congress upon this subject at Darmstadt. The debates which took place in this last assembly, led first to an association between Wurtemburg and Bavaria; then to the union of certain German States with Prussia; then to that of the central States of Germany; and then lastly, and chiefly owing to the efforts of Baron Cotta, to the blending of these three customs' confederations; so that, with the exception of Austria, of the two Mecklenburgs, of Hanover, and the Hanseatic cities, the whole of Germany is united in a joint tariff association, the Zoll-Verein, which has suppressed internal custom-houses, and established against foreign countries a common rate of duties, the product of which is apportioned among the particular States, according to their population.

The tariff of that association is substantially the Prussian tariff of 1800; that is to say, a moderate protection.

Under the influence of this association, the manufacturing industry, commerce, and agriculture of the German States which it embraces, have already achieved an immense progress.

* To the untiring zeal and ability of List in this agency and otherwise, Germany owes much of that prosperity which the *Zoll-Verein* has secured to her. He has stated his agency in the great work of forming the *Zoll-Verein* far more modestly than justice to himself required. — [S. C.]

CHAPTER VIII.

RUSSIA.

Russia owes her first progress in civilization and industry to her relations with Greece; then to the commerce of the Hanse Towns with Novogorod; and after John Wassiliewitsch had destroyed that city, and the route by the coasts of the White Sea had been discovered, to her commerce with England and Holland.

The main impulse of her industry, as well as her civilization, dates, however, no higher than the reign of Peter the Great. The history of Russia, during the past one hundred and forty years, furnishes a manifest proof of the powerful influence which national unity and political institutions exercise over the economical prosperity of nations. It is to that imperial authority which has established and maintained unity among a multitude of barbarian hordes, that Russia owes the rise and progress of her manufactures; the rapid advance of her agriculture and population; the development of her internal trade by the aid of canals and roads; a vast external commerce; and, in one word, all her industrial and commercial importance.

The commercial system of Russia dates no farther back than 1821. Under Catharine II., the advantages accorded to foreign manufacturers had not been without some benefit to various trades and industries; but the nation was still too far behind in general culture to attain to more than the first rudiments in the manufacture of linen, iron, glass, etc., and generally in those branches of industry for which the country was best fitted by her agricultural and mineral productions.

Greater progress in manufactures was, however, not then conformable with the commercial interest of the country. If foreign nations had received in payment the food, the raw materials, and the common manufactured products, which Russia was then

able to furnish; if there had been no wars, nor exterior complications, Russia might have for a long time derived greater advantage from continuing dependent upon countries more advanced; her general culture would have been more developed by such relations than by the manufacturing system. But protracted wars, the continental blockade, and the restrictive measures of foreign nations compelled that empire to seek its advantage in a better policy than the export of raw materials, and the import of manufactured products. These events interrupted the ancient maritime relations of Russia. The overland trade with the western portion of the continent, could not indemnify her for that loss. She was therefore obliged to work up her own raw materials.

After the restoration of general peace, the inclination was to return to the old policy. The government, the Czar himself, had a *penchant* for free trade. The writings of Storch enjoyed in Russia no less authority than those of Say in Germany. The Russian government did not fear the shock which their domestic manufactures, grown up under the protection of the continental system, would encounter from English competition. This shock once past, declared the theorists, the beatitudes of free trade must soon be tasted. The commercial conjunctures were indeed very favorable to transition. The bad crop of Western Europe had stimulated a heavy export of agricultural products, and Russia had thus for some time abundant means of paying for considerable importations of foreign manufactured products.

But when this extraordinary demand for the agricultural products of Prussia ceased, and on the other hand when England had, for the benefit of her aristocracy, restricted the importation of grain; and for the advantage of Canada, that of foreign timber, the ruin of the manufactures of Russia and the excess of the importation of manufactured products was doubly felt. After having with Storch regarded the balance of trade as a chimera, the existence of which it was as shameful and as ridiculous for intelligent and well-educated men to admit as the existence of witches in the seventeenth century, the time arrived

when it was impossible to deny what was so terribly experienced, that among independent nations something was occurring very like an unfavorable commercial balance. The most clear-sighted and profound statesman of Russia, Count Nesselrode, did not hesitate to avow it publicly. In an official circular of 1821, he declared that Russia "is compelled by circumstances to recur to a system of independent commerce; that the products of the Empire found no market abroad; that the manufactures of Russia were ruined, or upon the verge of ruin; that the money of the country was being carried off into foreign parts, and that the most solid commercial establishments were at the brink of destruction."

The salutary effects of the protective system adopted by Russia aided not less than the disastrous consequences of the restoration of free trade to discredit the doctrines and assertions of mere theorists. Capital, talent, and labor flowed in from all the civilized countries, especially from England and Germany, attracted by the advantages offered to domestic manufactures. The nobility too, profited largely by the imperial policy. Not finding abroad any market for her products, Russia attempted to solve the reverse of the problem by bringing the markets near to the products. She established manufactures upon her own domain. The demand for fine wool occasioned by the woollen manufactures thus created, had the effect of rapidly increasing and improving her sheep husbandry. Commerce at large increased instead of diminishing under this policy, especially commerce with Persia, China, and other neighboring countries in Asia. Commercial revulsions came to an end, and it suffices to examine the last reports of the department of commerce in Russia, to be convinced that Russia owes to that system her high degree of prosperity, and that she is advancing with gigantic strides in a career of wealth and power. It would be foolish for Germany to attempt any diminution of this progress, and to complain of the injury which the Russian system has inflicted upon North-Eastern Germany. A nation, like an individual, has no interests more precious than its own. Russia is not responsible for German prosperity. Let Germany look to

the interests of Germany, let Russia take care of Russia. Instead of repining, instead of feeding upon hopes and waiting for the millennium of future free trade, it would be better to cast into the fire the cosmopolite system, and to learn wisdom from the example of Russia.

It is very natural that England should regard with a jealous eye the commercial policy of Russia, for Russia has thus escaped the domination of England, she has thus even taken the posture of competing with England in Asia. If England manufactures at a lower price, this advantage is compensated in the commerce with the interior of Asia, by the nearness of the market and the political influence of the Empire. If relatively to Europe, Russia is still little cultivated; relatively to Asia, she is a civilized country.

It cannot be denied, however, that the want of civilization and proper political institutions may hereafter prove a great obstacle to the advance of Russia in industry and commerce, unless the Imperial government should succeed in advancing general civilization in accordance with the claims of industry, by establishing good municipal and provincial organizations, by first regulating, and then completely abolishing all servitude, by creating a middle class of educated men and free peasants, by improving the methods of interior communication, and finally by facilitating the means of transportation to Asia. Such are the measures which Russia has to accomplish within this century, such is the condition of her further progress in agriculture, manufacturing industry, as well as in commerce, mercantile navigation, and naval power. But that such reforms may be possible, that they may be accomplished, it is necessary that the Russian nobility comprehend that their material interests are closely connected with them.*

* As a fitting appendix to the chapter, I give the following extract from a work published in 1845, in the German language, with the title, *The Economy of Human Society*, by the late Count Cancrin, who, for twenty years, directed the finances of Russia. — [H. R.]

"There has been much declamation against what is called the *close*

system of Russia. Let me be allowed a few words of explanation upon the true state of things.

"Long before the reign of Catharine II., who continued the work of Peter the Great, in Europeanizing everything in Russia, protective duties had been resorted to in that Empire: at the epoch of the Congress of Vienna there existed a complete system of protection, partly by prohibitions, having for its object the restraint of luxury and the retaining of the money in the country.

"In treaties of peace, subsequently concluded, diplomatists inserted articles upon the subject of free trade little suited to the condition of Russia. Thence came the liberal tariff of 1819, under the operation of which Russia was inundated with foreign merchandize, and many branches of manufacture were ruined or were on the verge of ruin. It was felt that this system, however it increased the revenue by customs, could not be endured; industry was loud in its complaints, and in 1821 a new tariff was decreed, with heavier duties and some prohibitions.

"The Author found this tariff in force in 1823, when he was named minister of finance. He continued it with corrections and improvements; he abolished some prohibitions, he reduced some duties, he increased others with a view to revenue or protection, he modified the custom-house regulations in some respects. He is not, therefore, the founder of the protective system in Russia.

"That this system does not restrain commerce in an undue degree, is proved by the annual receipts, which have increased three-fold since 1823, of which a considerable portion is furnished by articles of foreign manufacture. Whence, then, all these clamors?

"Until 1823, the government had not succeeded in suppressing the contraband trade upon the western frontier, which was carried on with great profit to the countries on that boundary. Not only on the lines of the custom-houses, but even in the offices and in the ports, this smuggling was carried on upon a large scale. There was an understanding with the collectors, and fraudulent invoices were currently employed to facilitate the business. In this way the protective system was eluded, and the honest merchant could not obey the law without ruin; he was afterwards very thankful for the privilege of being honest.

"The Author changed, in great part, the officers and persons in these custom-houses; a good post in this service had become a fortune. The revenue officers and their assistants were placed upon a regular footing, properly organized, and amounted upon the European line of the Russian customs to about nine thousand chosen men, foot and horse. There were twenty thousand on the frontiers of France. The guards were selected from the soldiers who had served out their time. Against fraudulent invoices a government stamp was employed, and smuggled goods were pursued into the interior by skilful officers and faithful adepts. By means

of these measures smuggling and frauds upon the revenue were reduced to very small proportions; and it was not by rendering access to Russia difficult, as all travellers can attest that they were in no country treated with more politeness and indulgence; it was only those perpetual goers and comers in the smuggling business who met with trouble on the frontier. And as the result, the aggregate of the commerce along the whole line has been remarkably increased.

"Smuggling became so dangerous, insurance so expensive, that heavy articles could no longer be ventured in this contraband trade; captures and prizes, which, at the first, had been considerable, diminished by degrees to a very small number. The smuggling trade was ruined. *Hinc illæ lacrymæ.* Certain people in the countries neighboring to Russia having invested largely in contraband goods and facilities, incurred heavy losses, and thence the complaints which have so abounded in journals and books. It has been said, and repeated again and again, that the manufacturing industry of Russia has merely an artificial existence; the liberals, the ardent friends of humanity, take exception to the policy of Russia, and make bitter complaints because she is more occupied with her own interests than she is with the interests of other nations; yet notwithstanding all their clamors, the system of repression of which they complain does not, properly speaking, exist. List has told the truth.*

"Another of these false allegations is that Russian industry lives by the aid of sacrifices made by the government. It is strong of itself, and for the last twenty-five years the government has given no important sum to sustain any branch of industry. Since 1823 other means have been used to promote and encourage domestic industry, such as — a commercial gazette, a journal of manufactures; agents abroad to ascertain and report all new discoveries, inventions and processes; the exhibition of samples, the employment of skilful foreigners, a council of manufacturers with its sections and correspondents, a grand technological institute, industrial schools, the sending young men abroad as learners, periodical exhibitions of the products of industry at Moscow and St. Petersburg, with rewards for merit, gratuitous schools of design, regulations to improve the police of labor, and many other measures too numerous to mention. All this has contributed to increase intelligence and zeal; that is, intellectual capital, to perfect the modes of operation, to develop the tendencies of the people, finally, to carry the national industry to the point at which it has arrived, and to reduce prices in an important degree. If that industry is yet behind in very fine qualities of goods, it has succeeded perfectly in the good qualities of the more common articles of consumption. The ordinary cloths of Russia are better than those of France, and cost no more. The spinning and weaving of cotton fabrics are making good progress. As to silks, there

* Alluding to an opinion of List, the author of this volume, in some one of his many works on political economy.

CHAPTER IX.

UNITED STATES OF NORTH AMERICA.

HAVING traced, with their history before us, the commercial policy of the nations of Europe, at least of those from which we have something to learn, let us turn our eyes across the Atlantic, towards a nation of colonists, which, in our own day, has arisen from the complete subjection of colonial dependence, and from the condition of separate provinces, united by no political bond, to that of a compact, well-organized, free, powerful, industrious, rich, and independent nation, in which our grandsons may yet see the first maritime and commercial power of the world.

The commercial and industrial history of North America is more instructive than any other from our point of view; the development there is rapid; the periods of free trade and regulated trade follow each other in rapid succession; the results are plainly marked; and the whole mechanism of national industry and public administration is entirely open to the eye of every observer.

The colonies of North America were held by the mother country, in regard to manufactures, in such absolute subjection,

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is little, except at Lyons, which Russia cannot rival. St. Petersburg and Moscow are filled with manufactories; the bronzes of St. Petersburg, if inferior in design to those of France, are of more solid workmanship, better finished, and very little higher in price. If, then, writers (I mention no names) seriously assert that Russian industry has only an artificial existence, they must be regarded as being specially under the epidemic influence of the reveries of free trade."

To this extract from the work of Cancrin, Richelot adds the information that since then several modifications have been made in the Russian tariff in the interest of commerce, without, however, withdrawing protection from the active branches of Russian industry, and that quite an important reduction of duties had been made in November, 1850, upon the finer articles of French fabric. — [S. C.]

that besides the common domestic industry and the ordinary mechanical employments, no kind of manufacture was permitted. In 1750, a manufactory of hats in Massachusetts drew the attention, and excited the jealousy of parliament; all colonial manufactories were declared to be common nuisances, not excepting even forges, in a country possessing in abundance every element for the manufacture of iron. In 1770, the great Chatham, alarmed by the first manufacturing attempt of New England, declared that the colonies ought not to be allowed to manufacture so much as a hob-nail.

Adam Smith has the merit of being the first to denounce the iniquity of that policy.

The monopoly of manufacturing industry by the mother country, was one of the principal causes of the American revolution; the tax upon tea was only the immediate cause of the explosion.

Freed from the trammels which had been imposed upon them, in possession of all the material and intellectual conditions needful for manufacturing industry, separated from the country whence they had drawn manufactured articles, and where they sold their raw material; reduced, consequently, to their own resources for the supply of their wants, the States of North America found, during the war of independence, that manufactures of every kind had received a remarkable impulse, and that agriculture was deriving from them such benefits, that the value of the soil, as well as the wages of labor, were largely increased, in spite of public taxes and the ravages of war. After the peace of Paris, the old confederation having no provision for the establishment of a common system of commerce, the manufactured products of England again found an open door, and encountering the infant manufactures of America in free competition, the latter being unable to sustain themselves, the industry which had sprung up and prospered during the war was extinguished, and vanished even more quickly than it had appeared.

A member of Congress once said in his place, speaking of that crisis, "We bought, according to the doctrine of modern

theorists, where we could purchase cheapest, and were soon inundated with foreign commodities; English goods were sold at lower rates in our maritime cities than at Liverpool and London. Our manufacturers were ruined; our merchants, even those who had hoped to enrich themselves by importation, became bankrupt; and all these causes united had such a disastrous influence upon agriculture, that a general depreciation of real estate followed, and failure became general among proprietors." This state of things was unfortunately not for a moment; it lasted from the peace of Paris to the adoption of the Federal Constitution. This circumstance, more than any other, impelled the various States to draw closer the bonds of political union, and to grant all needful powers to Congress to establish a uniform system of commerce for all. From every State, not excepting even New York and South Carolina, Congress was beset with petitions for the protection of home industry; and, on the day of his inauguration, Washington wore a coat of domestic cloth, giving, by this expressive simplicity, so characteristic of that great man, according to a New York journal of that day, "to his successors and to legislators of after-time, an indelible lesson as to the means of promoting national prosperity." Although by the first American tariff, that of 1789, but light duties were imposed upon the most important manufactured articles, the results were so happy, that Washington was able, in his message of 1791, to congratulate the nation on the flourishing state of its manufactures, its agriculture, and its commerce.

The insufficiency of that protection was soon discovered; the obstacle of a low duty was easily overcome by the manufacturers of England, they being in a state of progress. Congress raised the duties upon the most important articles, to fifteen per cent.; but this was in 1804, when the receipts from customs were reduced to such a low figure, that it became necessary to increase the revenue. For some time before, the manufacturers of the country had exhausted themselves in complaints of the want of protection, the opposing interests being as loud in proclaiming the advantages of free trade, and in setting forth the disadvantages of high protective duties.

As early as 1789, at the instance of James Madison, navigation had obtained ample protection, and its advance contrasted strongly with the feeble progress of domestic manufactures. From two hundred thousand tons, in 1789, it had arisen, in 1801, to more than half a million.

Under the tariff of 1804, the manufacturing industry of North America could scarcely be maintained in opposition to that of England, which, aided by constant protection and improvement, had reached colossal proportions. American industry must have perished in that struggle, if the embargo, and afterwards the war of 1812, had not come to its relief. In this period, as in that of the war of independence, industry received such an extraordinary impulse, as not only to satisfy the home demand, but to furnish something to foreign countries. According to a report of the committee of commerce and manufactures to Congress, the manufactures of cotton and wool alone amounted yearly to more than sixty millions of dollars, and employed, in 1815, more than one hundred thousand workmen. It was again remarked, as had been the case during the revolutionary war, that, as a necessary consequence of the extension of manufacturing industry, there was a rapid increase in all values, as well raw materials as manufactured goods, labor, and real estate; thus affording a common prosperity to land-owners, to workmen, and to internal commerce.

After the peace of Ghent, Congress, taught by the experience of 1786, doubled during the first year the existing duties, and the country for that year continued to prosper. But, under the pressure of commercial influence opposed to home manufactures, and of theoretical arguments, Congress, in 1816, considerably reduced the duties, and with the same results from foreign competitors which had already been experienced between 1786 and 1789; that is, the ruin of industry, the depreciation of raw materials, as well as of real estate, and general distress among agriculturists. After the country had for the second time enjoyed during the war the benefits of peace, it suffered for the second time more from peace than from the most disastrous war. It was not until 1824, when the results of the extravagant

legislation of England, upon the subject of her corn-laws, had been felt in all their extent, that the agricultural interests of the Middle States, and also those of the Northern and Western States, were impelled to unite with the manufacturing interests, that some higher duties were imposed by Congress. Mr. Huskisson took precautions immediately to obviate this measure, so far as it affected English competition, and this tariff also was soon discovered to be inadequate. After animated debates, it was replaced by that of 1828, with its higher duties.

The official statistics of Massachusetts, published in 1837, give some idea of the impulse communicated to American industry, especially in the Northern and Middle States, by these protective duties, notwithstanding the gradual decline of the system of protection which came after the tariff of 1828. In 1837, Massachusetts contained two hundred and eighty-two manufactories of cotton; running five hundred and sixty-five thousand and thirty-one spindles; employing four thousand nine hundred and ninety-seven male, and fourteen thousand seven hundred and fifty-seven female hands; consuming thirty-seven millions, two hundred and seventy-five thousand, nine hundred and seventeen pounds of cotton, and making one hundred and twenty-six millions yards of cotton fabrics, producing a value of thirteen millions, fifty-six thousand, six hundred and fifty-nine dollars; the whole capital employed, being fourteen millions, three hundred and sixty-nine thousand, seven hundred and nineteen dollars.

The woollen manufactures of Massachusetts were thus exhibited in the same statement: one hundred and ninety-two factories; five hundred and one machines, employing three thousand six hundred and twelve women, and three thousand four hundred and eighty-five men, consuming ten millions, eight hundred and fifty-eight thousand, nine hundred and eighty-eight pounds of wool, and producing eleven millions, three hundred and thirteen thousand, four hundred and twenty-six yards of cloth, valued at ten millions, three hundred and ninety-nine thousand, eight hundred and seven dollars; the whole capital

employed being five millions, seven hundred and seventy thousand, seven hundred and fifty dollars.

The same document informs us that sixteen millions, six hundred and eighty-nine thousand, eight hundred and seventy-seven pairs of shoes and boots, were manufactured in that State, destined chiefly for the western States, the value being sixteen millions, six hundred and forty-two thousand, five hundred and twenty dollars.

The other manufactures exhibit a development in similar proportion. The whole of the manufactured productions of the State, independently of ship-building, was estimated at over eighty-six millions, and the capital employed, at sixty millions of dollars.

The number of workmen was one hundred and seventeen thousand three hundred and fifty-two, the total population being then seven hundred and one thousand three hundred and thirty-one.

In this manufacturing population, there was neither misery nor coarseness nor vice in a degree to demand notice; on the contrary, among the numerous laborers of both sexes prevailed the most severe morality, cleanliness, and even elegance in dress; in libraries founded for their own use, were seen books of the most instructive character; their labor neither exhausted their strength nor their cheerfulness; their food was abundant and wholesome; the most part of the young girls are able to lay up a marriage portion.*

These are the visible results of low prices of food, the moderation and the just apportionment of taxes. Let England suppress her restriction upon the importation of agricultural products; let her diminish her taxes upon consumption one-half or two-thirds; let her cover the deficiency by a tax upon income, and she may secure a similar condition for those who toil in her manufactories.†

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* The American Journals of 1839, reported that more than a hundred workmen in Lowell had each over one hundred dollars in the Savings Bank. Chevalier has a charming passage, in his letters, upon the condition of the laborers of Lowell. — [H. R.]

† List seems to have had a presentiment of the commercial reforms England was on the eve of adopting. — [H. R.]

No country has been so misunderstood and so wrongly judged, in regard to her future destiny and her economical policy, as North America, both by theorists and by practical men. Adam Smith and J. B. Say had declared that the United States were to be devoted to agriculture like Poland. The comparison was, by no means, flattering to a confederation of young and ambitious republics; and the prospect thus opened to them was by no means flattering. These theorists decided that the destiny of North America was to agriculture exclusively, inasmuch as fertile lands could be got there for almost nothing. Americans were warmly congratulated for having so heartily obeyed the prescription of nature, and for offering to theory such a beautiful example of the marvellous benefits of free trade; but the school of theorists soon experienced the disappointment of losing that important proof of the correctness and the practicability of their theory, and of seeing the United States seek their fortune by a very different route from absolute free trade.

This young nation, which that school had hitherto cherished as the apple of its eye, became at once the object of most energetic censure on the part of the theorists of all Europe. The New World, they declared, had made little progress in political science, at a moment when the European nations were laboring with the most sincere zeal for the realization of general free trade; at a moment when England and France particularly were preparing to make rapid strides towards that great philanthropic end, the United States were retrograding in an attempt to develop their prosperity by that obsolete mercantile system which science had so clearly refuted. A country such as North America, said they, in which so vast a space of the most fertile land was still without culture, and where wages were so high, could not better employ its capital and its overplus of population, than in agricultural industry; when once the latter should have reached its complete development, manufacturing industry would start up of itself, and without any factitious stimulant; by giving artificial existence to manufactures, the United States were injuring, not only countries of more ancient culture, but especially themselves.

Among the Americans, however, good sense, and a consciousness of the wants of the country, were stronger than their faith in theory. Its doctrines were severely scrutinized, and very serious doubts arose as to the infallibility of precepts to which its own disciples did not conform.

To the argument, founded upon the great quantity of fertile lands yet uncultivated, it was replied, that in those States of the Union already populous, well cultivated, and prepared for manufactures, good lands were as scarce as in Great Britain; that the overplus of the population of those States was obliged to emigrate at great expense to the West, to obtain and cultivate such lands. Hence each year the Eastern States incurred not only considerable loss in material and intellectual capital, as well as in population, but still more from the depreciation of their lands, and their agricultural products, arising from this constant emigration, by which consumers were converted into competitors. The Union had no interest in bringing into culture those vast solitudes stretching away towards the Pacific, before the population, civilization, and military power of the older States had attained a suitable development. On the other hand, the Eastern States had no advantages to draw from the cultivation of those distant territories, but by devoting a portion of their industry to manufacturing, so as to exchange manufactured articles for commodities of the West. They went farther, and inquired if England was not in a quite similar position; if she was not selling in Canada, Australia, and other regions, a vast extent of fertile but uncultivated lands; if she was not sending to those countries the overplus of her population with about the same facilities as the United States were sending theirs, from the shores of the Atlantic to those of the Missouri; and if so, why England continued not only to protect her manufacturing industry, but labored assiduously for its further development.

The argument of this school, that where wages were high for agricultural labor, manufactures could not of course succeed, and could only be artificially forced like hot-house plants, was only well founded so far as regarded articles of small volume and weight relatively to their value, and chiefly the product by

manual labor, but not as regards those, the price of which is but little influenced by the rate of wages, and as to which the increase of price is compensated by the use of machinery, by the cheapness of raw materials and food, by abundance and cheapness of fuel and timber, and finally by moderate taxes and energetic labor.

Long experience had taught the Americans that their agriculture could not arrive at a high degree of prosperity, but upon the condition that the exchange of agricultural products for those of manufacturing industry, is a settled home policy; that if the agriculturist lives in North America, and the manufacturer in England, the exchange between them will be frequently interrupted by war, by commercial revulsions, or by restrictive measures from without; that consequently, and upon the authority of Jefferson, the prosperity of the country can only be fixed upon a solid basis, where the manufacturers are placed side by side with the agriculturists.

The North Americans discovered at last that a great nation ought not to seek exclusively its immediate material benefits; that civilization and power, possessions more precious and more desirable than material wealth, as Adam Smith admits, cannot be acquired but by the aid of manufacturing skill and industry; that a nation, ambitious of taking rank among the more cultivated and powerful countries, must recoil before no sacrifices to attain such advantages, and that the Atlantic States are already in possession of them.

The shores of the Atlantic first received the population and civilization of Europe; there, populous, cultivated, and rich States, were first formed; there was the cradle of their maritime fisheries, their coasting trade, and their naval power; there independence was achieved, and the confederation founded; it is with those States of the coast that foreign trade is carried on; through them the country is in contact with the civilized world, and receives the European surplus of population, material capital, and moral resources; it is upon the civilization, power, and wealth of these States, therefore, that the future welfare in these respects of the whole nation must depend, as also its

independence and future influence upon less advanced countries.

Suppose the population of the Atlantic States should diminish instead of increasing, that their fisheries, their coasting trade, their shipping, their foreign commerce, that finally, their prosperity should decrease, or remain stationary, instead of advancing, we should see the civilizing influences of the whole country, the guarantees of its independence and moral power diminishing in the same proportion. We may even conceive the territory of the United States to be entirely occupied from one ocean to the other by agricultural states, and covered with a numerous population, the nation still remaining in an inferior position as to civilization, independence, power and foreign commerce. Many nations are in this condition, and with a large population are without shipping or naval power.

If a design were formed to arrest the progress of the American people, by placing upon their necks a foreign, industrial, commercial and political yoke, this could in no way be so fully attained as by depopulating the Atlantic States, and by pushing to the interior their surplus population, capital, and strength. This would retard the development of the maritime power of the country; it might lead in time not only to the industrial subjection of the country, but to the occupation by foreign powers of the principal points of defence along the coast of the Atlantic, including the mouths of rivers. The mode of accomplishing the industrial subjection would be simply the prohibiting or restraining manufacturing industry in the Atlantic States, and thus establishing in America the policy of absolute free trade with foreign countries.

If the Atlantic States were not manufacturing states, they could not maintain their present rank in civilization, and could not but decline in every respect. How could the cities of the Atlantic coast prosper without manufactures? Not by sending the goods of the interior of the country to Europe, and English goods into the interior; for a few thousand individuals might suffice for such an operation. What would become of the fisheries? The larger portion of the population of the interior

abundant, and prices rule very low, if at the same time the market remains encumbered with articles of foreign manufactures, this disproportion between the means of paying and the previous consumption, as well as between the supply and demand of agricultural and manufactured products, must produce a commercial crisis. Such a crisis may be increased and aggravated, but is not produced by the operation of foreign or American Banks. We shall give in the next chapter explanations upon this subject.

CHAPTER X.

LESSONS FROM HISTORY.

At all times, and in all places, the intelligence, morality, and activity of the citizens have been regulated by the prosperity of the country; and wealth has increased or diminished according to these conditions; but nowhere have labor, economy, the spirit of invention, and the spirit of industrial enterprise, accomplished any thing great, where civil liberty, the institutions and laws, external policy, the internal government, and especially where national unity and power have not lent their support.

History everywhere exhibits an energetic mutual reaction of social and individual powers. In the Italian and Hanseatic cities, in Holland and England, in France and America, we see the productive powers, and consequently the wealth, of individuals, increasing with the advance of political and social institutions, and the latter in their turn, finding in the increase of the material wealth and productive power of individuals the elements of their further improvement. The impulse of the industry and power of England dates from the establishment of her liberty. The industry and power of the Venetians and the Hanseatics, of the Spaniards and the Portuguese, were extinguished at the same time with their liberty. It is in vain that individuals are industrious, saving, intelligent, and inven-

tive; these free institutions are still needful for the proper application of these qualities. History teaches, in fact, that individuals draw the greatest part of their productive power from the social condition and the institutions of society.

The influence of liberty, of intelligence, and knowledge upon power, and consequently, upon productive energy, upon the wealth of the country, appears nowhere so clearly as in the shipping interests. Of all the branches of industry, navigation is that which requires the most energy and courage, the most boldness and perseverance, all qualities which can only flourish in the atmosphere of liberty. In no other department of industry are ignorance, superstition, and prejudice, indolence, cowardice, and effeminacy so fatal, in none is the sentiment of personal independence so indispensable. History furnishes no instance of an enslaved people who have excelled in navigation.

The nations of India, the people of China and of Japan, have from the most ancient times confined themselves to the navigation of their canals, their rivers, or along their coasts. In ancient Egypt, maritime navigation was discouraged; the priests and kings fearing, apparently, that it might furnish aliment to the spirit of liberty and independence. The freest and most civilized nations of Greece were also the most powerful at sea; with their liberty, their maritime power came to an end, and history, which relates so many victories gained on land by the kings of Macedonia, gives no account of their naval victories.

When were the Romans powerful at sea, and when do we hear no more of their fleets? At what time did Italy rule like a sovereign the whole Mediterranean, and since what time has even their coasting trade fallen into the hands of foreigners? The Inquisition pronounced sentence of death upon the Spanish fleet long before it was executed by the fleets of England and Holland. From the day when the mercantile oligarchies arose in the Hanse Towns, their power and courage deserted the League. In the Spanish Netherlands the seamen, without other aid, achieved their liberties; those who submitted to the Inquisition were doomed to witness the closing even of their rivers.

The English fleet, by conquering that of Holland in the British channel, did no more than take possession of the maritime supremacy which the spirit of liberty had long before assigned to it. Holland, however, retains to this time a great part of her marine, whilst that of the Spaniards and Portuguese is nearly annihilated. Eminent statesmen have in vain attempted to make France a naval power, for fleets constructed under the rule of despotism always disappear. In our time the mercantile and military marine of France are upon the increase. The independence of North America had scarcely been achieved, when we see them struggling successfully against the gigantic fleets of the mother country. But what is the navigation of Central and South America? So long as their flags shall not float upon every sea, the solidity of their republican governments must remain questionable. Look at Texas; no sooner is she awake to separate existence, than she claims her part in the Empire of Neptune.

Navigation is but an element in the industrial power of a country, an element which can grow and flourish only under the support of all the people, and by the power of the whole nation. Navigation, internal and external commerce, agriculture itself can at no time or place become prosperous but where manufactures are permitted to become prosperous. But if liberty is the fundamental condition of the development of navigation, how much more is it the essential condition of the increase of manufacturing industry and of all the productive powers of a country? History records no instance of a rich nation addicted to commerce and the arts, which has not, at the same time, been a free nation.

Where manufactures flourish, we find also the means of communication, the improvement of river navigation, the construction of canals and roads, steam navigation, and railways; all which are an essential condition of advanced agriculture and civilization.

History informs us that arts and trades have travelled from city to city and from country to country. Persecuted and oppressed in one country, they have fled to cities and countries

where they were assured of liberty, protection, and assistance. They passed thus from Greece and Asia to Italy, thence to Germany, Flanders, and Brabant, and from the two last to Holland and England. In these cases it was folly and despotism which drove them away, and the blessings of liberty which attracted them. But for the extravagances of the continental governments, England could never have reached her industrial supremacy. Is it not more rational, however, not to wait until other nations are insane enough to drive out their artizans and compel them to seek refuge among us, but without trusting to such contingencies to attract them, by offering to all the highest advantages our position affords? Experience teaches us, it is true, that the wind carries with it the seeds of one country to another, and that desert places have thus been changed into heavy forests. But would it be wise for the proprietor of waste land to wait for the wind to perform this office of planting and transformation during the lapse of centuries? Is it folly in him to force nature by planting his uncultivated lands, that he may attain his object in a score of years? History shows that whole nations have successfully accomplished what the wise landowner always achieves.

A few free cities or small republics, limited in their territory, their population, and military power; a few associations of such cities and such states, sustained by the energy of a new-born liberty, favored by their geographical position, and by a fortunate concurrence of circumstances, became distinguished by their industry and commerce long before any of the great monarchies attained such distinction, through their free communication with the former, to which they furnished agricultural products in exchange for manufactures. Such cities and countries arose to a high degree of wealth and power, as, for instance, Venice and the Hanseatic cities, Flanders and Holland.

Free trade was, at the beginning, not less beneficial to the large States than to those mentioned. Considering the abundance of their natural resources, and the rudeness of their social condition, the free admission of foreign manufactured products, and the free exports of their agricultural products were the

most certain and effectual means, developing their productive powers of inuring to labor, people who were idle and contentious; of interesting the nobles and the proprietors of the soil in industry; and of awaking a spirit of enterprise in sluggish merchants; in short, of increasing their culture, their industry, and their power.

England, especially, has derived these benefits from her relations with the Italians and the Hanse Towns, with the Flemings and the Dutch. Having arrived, by the aid of free trade, to a certain development, the great States soon began to comprehend that the highest point of culture, power, and wealth, could be reached only by uniting in the same country manufactures and commerce with agriculture: it became obvious to them that the infant manufactures of a country commencing that career, could not live and prosper in free competition with manufactures long established in other countries; that fisheries and mercantile navigation, which are the basis of maritime power, could prosper only by special assistance; and that merchants and manufacturers exposed to competition with foreigners, superior in capital, experience and knowledge, must finally succumb and continue to be paralyzed. They endeavored, consequently, by restrictions, by favors and encouragements, to transplant to their own soil the capital, skill, and enterprise of foreigners; which they did with more or less success and rapidity, according as the means employed had been used with more or less discretion, and applied with more or less energy and perseverance.

England, especially, had recourse to this policy; but, kings wanting intelligence, or abandoned to their passions, civil disturbances, or foreign wars, having frequently interrupted its application, it was only after the reign of Edward VI. and Elizabeth, and after subsequent revolutions, that England had a system fixed and appropriate to its object. For what effect could the measures of Edward III. have, when we remember that down to the time of Henry VI. it was not permitted to transport grain from one county of England to another, nor to export it abroad? When we recollect that under Henry VII. and Henry VIII., every kind of interest, even the profits of

exchange, were regarded as usury; and when the government endeavored to encourage industry by low taxes upon woollen cloths and upon wages, and to promote the production of wheat by discouraging the increase of sheep. How much sooner would the woollen manufacture and the navigation of England have reached a high degree of prosperity, if Henry VIII. had not considered the high price of wheat an evil: if, instead of expelling in a mass foreign artisans, he had, after the example of his predecessors, exerted himself to draw thither a larger number: if Henry VII. had not rejected the Act of Navigation, proposed to him by his parliament.

In France, we have seen manufactures, free trade at home, commerce abroad, fisheries, mercantile navigation, and naval power,—in a word, all the attributes of a great, powerful, and rich nation,—obtained by England only after centuries of effort, — rise in a few years as by enchantment, at the bidding of one great man, and disappear as suddenly under the iron hand of religious fanaticism and despotic rule.

We have seen the principle of free trade struggling without success in unfavorable circumstances against restrictions enforced by power; the Hanseatic League annihilated, and Holland succumb to the attacks of England and France.

The decline of Venice, Spain, and Portugal, the retrograde movement of France after the revocation of the Edict of Nantes, and the history of England, where liberty went hand in hand with industry, commerce, and national wealth, show that *restrictive* policy is efficient only so far as it is accompanied by the development and progress of civilization and free institutions.

On the other hand, the history of the United States, and the experience of England, demonstrate that a very advanced culture with or without free institutions, if not supported by a wise commercial policy, is but a feeble guarantee of the economical progress of a nation.

Modern Germany, deprived of an energetic and united commercial policy, abandoned in her territory to the competition of a foreign manufacturing industry superior in every respect; excluded at the same time from foreign markets by arbitrary

and often capricious restrictions, far from accomplishing an industrial progress in harmony with her degree of culture, could not even maintain her old rank, and became like a colony, a prey to the very nation of which, a few centuries before, she had taken the same advantage through her merchants, until, at last, her governments determined, by a strong and common system, to secure their home markets to their own industry.

The United States, in a better posture than any country before them, to take advantage of free trade; influenced, moreover, in the very infancy of their independence, by the lessons of the cosmopolite school, made a greater exertion than had ever been made before, to apply that principle. But twice were their people obliged by wars with Great Britain to manufacture for themselves commodities which, under the system of free trade, they had imported from abroad; twice, upon the return of peace, were they carried by free competition with foreign countries to the very verge of ruin; and, admonished by this lesson, that in the present state of the world, a great nation must, above all, seek by a suitable and harmonious development of its own productive powers, to make sure the guarantees of its prosperity and independence.

History teaches that restrictions are much less the creation of speculative minds than the national consequences of diversity of interests — the struggles of nations for independence or supremacy, and, consequently of national rivalries and wars; and that they are to cease at the same time with the conflict of national interests, or under some new system of international law. The inquiry, how nations can be united in a federation, and how in the disputes between independent people judicial decrees are to be substituted for the power of arms, is equivalent to this: How can universal free trade be substituted for national systems of commerce?*

* We think there is some error involved in this. It seems, indeed, to be the opinion of List that in certain conditions of the world free trade may be assumed as a sound doctrine in the sense in which it is supported by the school which maintains it as a fundamental principle. We deny that it ever can be sound doctrine in their sense. In our view, free trade is a

The experience of certain nations adopting the principle of free trade in the face of nations superior in industry, riches, and

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policy, a means, not a doctrine or a philosophical truth, or a principle. Free trade is now the true policy of Great Britain. We do not believe that under any probable circumstances it could be the policy of all civilized nations; for if all now possessed equal advantages with Great Britain, a severe and destructive competition would take place, making it necessary to resort again to the protection of the laborers of each nation. The object of industry, that labor by which men live, is not the greatest development of foreign trade: it is the comfort, well-being, and moral progress of the masses of each separate nationality. We say each nation, because each separate people must take care of themselves; their power reaches no further, and their comprehension of their own interests must be more full than that of others. Under no circumstances that we can conceive then, can it be the duty of any government to give up the care of the labor, that is, of the laborers of the country. Now if free trade were the great object of human life, it should, of course, be the effort of governments to attain to it as quickly as possible. Or, if free trade could secure more effectually than any other policy the welfare of the masses, then it should be pursued for that reason. But when we remember that the welfare of the masses has no place in the theory of the free-trade school, we may well apprehend that the development of their system will not be directed to that object nor be found to subserve it. The truth is, the care of men in social life is a task so complicated, so changing, requiring such faithful guardianship and finally such kindly and charitable regard, that it can never be left to a system of political economy which does not even profess to have it in view. There is no doubt that the advocates of free trade imagine that under its sway all the industrial interests of nations and their people would find their right position, and every laborer his true place as one of the cogs in the vast machinery which manufactures wealth. So, indeed, in the view of the system every man would always be in his place, that is, where the force of circumstances would place him, over which, neither he nor his country could exercise any control. The system has no provision for any inquiry whether any one man or any class of men, is happy or miserable, well or ill-fed, or clothed, or lodged, or educated; it gives men the privilege of free trade whose lot in life is nothing but labor.

But this system regards only international trade, and makes every other interest bend to what will promote the progress of foreign trade. The palpable error involved in this may be seen by recurring to the fact that no nation or people can by any possibility derive more than one-tenth of their consumption from other nations. The average of the consumption thus imported among civilized nations at the present day does not reach five per cent. of their home production. Nine-tenths and more of what people eat,

power, and protected by a restrictive commercial system, for instance, such as that of Portugal in 1703, of France in 1786, of the United States in 1786 and 1816, of Prussia from 1815 to 1821, and of Germany for centuries, proves that the prosperity of a country may be thus sacrificed without any benefit for mankind in general, and for the sole advantage of the power which sways the sceptre of commerce and industry.

Switzerland, as will be shown hereafter, forms an exception that proves too much and too little, at the same time, for and against either system.

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drink, wear, and consume, is of home production. The welfare of people, so far as it depends on the necessaries and comforts of life, and the welfare of laborers or producers, so far as it depends upon the rate of their compensation or the extent to which they are permitted to enjoy the products of their own labor, should be independent of foreign trade, and especially should not the producers and consumers of the nine-tenths, or rather the nineteen-twentieths, be injured, or their products be reduced in quantity by any influence of foreign trade. Foreign trade, over the commodities of which, or the laborers who produce them, no nation can exercise any control, except when crossing its boundary, should be so regulated, then, as in no way to diminish the efficiency of that industry upon which people are mainly dependent, not only for the articles of their consumption, but for the opportunity of producing, as well as of earning and enjoying them. Foreign trade being shorn of its power to do injury, every nation might make it as free as it pleased. Many of the positions of free-trade theorists would, in fact, be then sound and forcible. The error now committed in that system is that the industrial welfare of men is left to the chances, changes, and variable results and influences of foreign trade, instead of being made, as it, more than anything else deserves to be, the direct and principal object of public care and legislation. The friends of free trade say, let free trade prevail, and all will come right with the people. We say, let all be made right with the people, even if in making all right, free trade should be one of the means. We are unwilling to assume any other starting point for the development of a social system than the best interests of the people; we are unwilling to regard free trade in any other light than as one of the means which may or may not, in the exercise of an intelligent discretion, be applied to that object.

It is not difficult to divine why the economists of the Say school are such strenuous advocates of absolute free trade. In the last analysis it is the single leg upon which their system rests; take from it this prop, and it comes to the ground. They wish to establish a law of social economy or

Colbert is not, in our opinion, the inventor of the system to which the Italians have given his name; we have seen that the English had elaborated it long before his time. Colbert only put in practice what France was to adopt soon or late for the accomplishment of her destiny. If any censure is to be applied to Colbert, it would be that of having attempted to execute a work under an absolute government, which could not have long duration until after a great change in her political institutions.

To justify Colbert, it might be answered that his system, if pursued by wise monarchs and enlightened ministers, would, in the way of reform, have overcome the obstacles opposed to the progress of manufactures, agriculture, and commerce, as well as those in the way of public liberty, and thus spared France a revolution; it might be said that if France, stimulated in her development by the mutual action and reaction of industry and liberty, had persevered in this policy, she would have been for the last half-century the fortunate rival of England in manufactures, internal communications in general, commerce and colonization, as well as in fisheries, and in her mercantile and military marine.

History teaches us, finally, how nations, endowed by nature with all the means of reaching the highest degree of wealth and

science, to take the subject out of the domain of sound discretion and common sense. Their rules are laws of science, which admit no contradiction. The law in this case is free trade, any interference with it is a violation of science and a disturbance of the natural order of things. Looking upon all the producing agencies, man, machinery, and the powers of nature, as being merely agents under the stimulus of their law of demand, they take no account of industry or its processes, or its laborers, they merely receive its products when brought upon the scene of distribution; they take little account of consumption except in the light of demand and supply, nor of prices, except so far as they may hinder or facilitate distribution, one of two great works over which the so-called science of political economy presides. To admit any interference with this distribution, founded upon considerations of humanity or policy, or the special interests or well-being of the people of any nation, is to violate a law of political economy. To change the natural order of distribution, to make it a subject for sound discretion or the exercise of common sense, is absolutely to shake the whole foundation on which Say's system of political economy is built. — [S. C.]

power, can, without inconsistency, and should, change their system in proportion as they advance. At first, indeed, by free trade with nations of higher culture, they emerge from barbarism, and improve their agriculture; then, by means of restrictions, they give an impulse to manufactures, fisheries, navigation, and foreign commerce; then, finally, after having reached the highest degree of skill, wealth, and power, by a gradual return to the principle of free trade and free competition in their own and foreign markets, they keep their agriculturists from inaction, their manufacturers and their merchants from indolence, and stimulate them to wholesome activity, that they may maintain the supremacy which they have acquired. In the first of these stages we see Spain, Portugal, and Naples, in the second, Germany and North America; France appears to be on the limits of the latter; but England alone has not only reached, but maintains an industrial and commercial supremacy.

BOOK II.—THEORY.

CHAPTER I.

POLITICAL ECONOMY AND COSMOPOLITE ECONOMY.

BEFORE Quesnay and the French economists, there had been only a practical political economy, as shown in national administration. Statesmen and writers who treated administrative questions, applied themselves exclusively to the agriculture, manufactures, commerce, and navigation of the country to which they belonged, without analyzing the causes of wealth, and without ascending to the study of the interests of humanity.

Quesnay, who first conceived the idea of universal free trade, extended his view to the whole of mankind, confining himself to no single nation. The title of his work is: *Physiocratie ou du gouvernement le plus avantageuse au genre humain.** His starting point is that *the merchants of all countries must be considered as constituting a single commercial republic.*† It is obvious that Quesnay treats of the *cosmopolitical* economy; the science which teaches how men may attain to a state of well-being, whilst political economy merely teaches how a nation, in certain circumstances, may attain, by means of agriculture,

* *Physiocracy*, or *the Government most advantageous to mankind.* The principal works of Quesnay were collected under this title, not by Quesnay himself, but by Dupont de Nemours, his disciple. It is true that Quesnay has often employed the expression, — the order most advantageous to mankind. — [H. R.]

† Quesnay adopts the idea of an universal commercial republic, but at the same time recognizes the existence of separate nations. The following passage is in the *Observations* which follow his *Tableau Economique:* "An agricultural and commercial kingdom unites two nations distinct from each

manufacturing industry, and commerce, to prosperity or civilization and power.*

other, the one constitutes that portion of the people which is attached to the land; the other an extrinsic addition, which forms a portion of the general republic of foreign commerce, which is employed and sustained by agricultural nations." — [H. R.]

* As Quesnay was the first to conceive and announce the idea of universal free trade, the present school, who have taken that feature of his system as the basis of their own, have further shown their obligations to the head of the Physiocratic school, by keeping ever before them his idea of a great commercial republic. Such a republic would consist of the men in every country engaged in foreign commerce. The merchant princes of this great commercial republic would in practice soon become the governing power. That would have been the result in Quesnay's system carried out, it will not be less so when the system which knows only free trade is carried out. — [S. C.]

The distinction between political economy and cosmopolitical economy, upon which List insists, is exceptionable. Science is always cosmopolite in this sense, that it never confines its researches and its laws to any one nation in particular; that it extends them, on the contrary, over all nations and through all periods. But in its meditations upon mankind, it ought to regard men as they have ever been, as they now are, and as they probably will for ever exist, in nations or societies of different degrees of culture and development. If it adheres not to this great fact, if it speculates upon an ideal humanity, it is a science afloat, or rather it is no science. Such would be the case of this cosmopolitical economy which would reduce the science to a few empty and inapplicable abstractions. The political economy which is not merely for the use of some particular nation, as France or England, but which reposes upon the attentive study of all societies, and is fitted to enlighten all, is the only national economy, and the only other is private economy.

This distinction of List recalls that made by Rossi, between political economy, *pure* or *rational*, and political economy, *applied*. Both of these sciences have one object, wealth; but the first treats it in general terms with reference to men in general; the second in a manner more special, more national; pure political economy overlooks time, space, nationality: political economy applied neglects none of these circumstances. This distinction seems no better founded than the other: it seems to have been devised by the able and ingenious Rossi, to get rid of some of the absurd theorisms of his predecessors. There is but one political economy; there cannot be two sciences upon one subject. A rational distinction would be that between political economy *in theory* and political economy *applied;* the first expounding the laws which preside over the production and distri-

Adam Smith gave the same extension to his doctrine by endeavoring to establish the cosmopolitical idea of absolute free trade, although he could not but see the gross offences of the Physiocrats against the nature of things, and against logic. Adam Smith did not propose any more than Quesnay to treat of the objects of political economy, or of the policy which each country has to pursue in improving its economical condition. The title of his work is, "The Nature and Causes of the Wealth of Nations;" that is, of all the nations of the world. He devoted a portion of his work to the various systems of political economy, but only with the view of showing of what little value they were, and of proving that political or *national* economy ought to yield to *universal* economy. If he sometimes speaks of war, it is merely in passing. The idea of *perpetual peace* is the basis of all his arguments. According to the significant remark of Dugald Stewart, his biographer, he has taken as the point of departure for his researches the maxim, "that for the most part the measures of governments for the promotion of public prosperity are useless; and that to raise a State from the lowest degree of barbarism to the highest state of opulence, three things only are necessary, moderate taxation, a good administration of justice, and peace." Adam Smith could only have had in his mind the perpetual peace of the Abbé de St. Pierre.

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bution of wealth; the second deducing from these laws general precepts. The distinction corresponding to that between physiology in theory, and to hygiene and therapeutics in application. — [H. R.]

This note of the intelligent French Editor requires for some readers a word of explanation. It is true that any sound system of political economy must extend its view to all people and all nations; but it is just as true that it should never lose sight of the individual people and classes of which these nations are composed. National economy is not the same as private economy; but it must ever be founded on and be accordant with individual well-being. That system which best promotes the true interests of individuals in social life or in nations, is that which makes the wisest system of political economy. While the interests of men, then, are studied as they are found in nations differently developed, their welfare must be consulted as they exist individually in each nation. — [S. C.]

J. B. Say admits that the idea of free trade depends upon the conception of an universal republic. This writer, who, after all, has merely constructed a scientific building out of the materials furnished by Adam Smith, says, in so many words, in his *Practical Political Economy*,* "We may blend in our consideration the family and the head which provides for its wants. The principles, the observations, which concern them, constitute private economy; public economy embraces the observations and the principles which refer to the interests of a particular nation, as susceptible of being opposed to the interests of another nation. Political economy has in view the interest of all nations, or of society in general."†

It should be noticed here, that Say acknowledges, under the name of public economy, the existence of a national or political economy, not considered in his works, that he gives the name of political economy to a doctrine evidently cosmopolitical in its nature, and in that doctrine treats only of that economy which embraces the collective interest of human kind, without considering the separate interest of each nation.‡

This confusion of terms would have disappeared, if, after de-

* Part 9th of his *Tableau Général de l'Economie des Sociétés.*

† This distinction of J. B. Say is not more happy than those upon which we remarked in a preceding note. It is evident that his *public* economy belongs to the domain of political economy, which must be incomplete if abstraction be made from it of all the separate interests of all the nations which go to make up mankind. — [H. R.]

‡ Say no doubt felt that some such a distinction was necessary to secure his system from objections to which he was made to feel most acutely that it was exposed. This and other concessions were made to critics of his work at home, whilst it was being received entire in other countries without explanation or caution. According to this distinction he has not treated the subject of national or public economy. And yet his disciples throughout the world have understood his object so little, that it has everywhere been taught and treated as a special system of public economy; and statesmen and nations are on all sides invited to obey its injunctions. Nay, epithets of contempt and ridicule have been heaped upon those who could not regard this system of Say as a manual for statesmen, or a safe guide for national policy. It belongs rather to the school of the Abbé de St. Pierre. — [S. C.]

veloping what he calls political economy, which is only cosmopolitical economy, or the economy of mankind, Say had also initiated us in the principles of the doctrine which he calls *public economy*, which is merely the economy of particular nations, or political economy. In the definition or exposition of that science, he could scarcely have refrained from dropping the idea of a nation, and from showing what necessary changes the economy of mankind is to undergo on account of its being divided into distinct nationalities, forming a number of powers and interests, occupying their respective positions of national liberty as between themselves. But by giving to this economy of *the whole* of the human family the name of *political* economy, he saved himself from such an exposition; by a confusion of terms he has produced a confusion of ideas, and masked a series of very grave theoretical errors.

All the later writers have participated in that error. Sismondi calls political economy, "*the science which treats of human happiness.*" Thus Adam Smith and his disciples have, after all, taught nothing else but what Quesnay and his school had taught before them; the article in the *Revue Methodique* concerning the Physiocrats, employing nearly the same expression, says that the *happiness of individuals depends in general upon that of the whole human family.* The very Coryphæus of American free trade in the sense of Adam Smith, Thomas Cooper, President of Columbia College, does not hesitate to deny the existence of nationality; a nation, he says, is "merely a grammatical invention, designed to spare periphrases, a nonentity, a thing that has no existence except in the brains of political men." Cooper is, in this, perfectly consistent; much more so than his predecessors and his masters; for as soon as the existence of nations in their separate conditions and individual interests is acknowledged, the economy of human society must be modified conformably with these separate interests; if then it is attempted to stigmatize these modifications as errors, it is skilful to deny at once the existence of nations.

For our part, we are far from rejecting the theory of *cosmopolitical* or universal political economy as elaborated by the Say

school; we only think that political economy, or what Say calls public economy, should also be elaborated scientifically, and that it is always better to designate things by their right names, than to give them denominations contrary to the meaning of words.*

If we would remain faithful to logic and to the nature of things, social economy must be distinguished from private economy; and in the latter, political or national, must be distinguished from cosmopolite economy; the one taking its point of departure from the idea of separate nationality, shows how a particular nation in the actual condition of the world, regard being had to its special circumstances, may preserve and improve its economical condition; the other being a system based upon the hypothesis that all the nations of the world form but one society, living in a perpetual peace.

If we assume with this school an universal association or federation of all nations as a guarantee of perpetual peace,† the

* This paragraph is doubtless ironical; but if not, we are far from acquiescing in the opinion. The whole subject should be distributed under the name of Political, Public, or National Economy. — [S. C.]

† This remarkable passage of List may be aptly compared with some remarks of Rossi in his *Course* in the chapter on the *Theory of Commercial Liberty;* they begin thus, — "Let us represent to ourselves the industrial and commercial world as without a line of separation or political barrier, as if for economical purposes, the different nationalities of people were wholly effaced." After having sketched the state of things which would be produced in that case, *unfortunately*, as he admits, *mere romance*, the skilful economist develops with power the argument drawn from the different nationalities, and takes his position upon that point of view. In another chapter upon the colonial system, he expresses himself in these terms:— "We repeat it, sufficient scope has not been given in our theory to the fact of nationality. Whilst practical men have exaggerated this even to the extent of wishing to make of every nation an association of monopolists in permanent war or rivalry with all the rest of humanity, the theorists have completely forgotten or overlooked nationality." These are very nearly the words of List in this work. Rossi was acquainted with the German language, and, as he informs us in his *Course of Political Economy*, was a reader of the *Trimonthly German Review*, — was he not then conversant with the views of List?—If theorists have forgotten nationality, it is not because they are wanting in patriotism; in demanding free trade

principle of free trade among nations would be fully established. The less an individual is restricted in the pursuit of well-being, the richer and more numerous those with whom he is in relations, the wider is the scope of his activity, the easier and more effective will be the employment of the faculties with which nature has endowed him in the improvement of his condition, and the more available to the same end will be his acquired knowledge and talents, and all other powers which may be at his disposal. As with individuals, so with districts and provinces. It would be folly to maintain that commercial union is less advantageous than interior custom-houses would be to the United States of North America, to the provinces of France, and to those of the German confederation.

The United Kingdoms of Great Britain and Ireland present a striking and decisive example of the immense results of free trade between associated nations.*

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the most unlimited, they have always believed, right or wrong, that they were promoting the best interests of their country. — [H. R.]

* We cannot agree that free trade with Great Britain has been any advantage to Ireland: on the contrary, it has injured that country, and retarded its progress in wealth, power, and civilization, beyond all estimate. That some benefit may have accrued with all this injury, need not be disputed; but it certainly cannot readily be appreciated. It is equally true that the evils of Ireland have not all come from free trade, but that a very large proportion have thus had their origin and growth, is plain from the condition of industry and labor. There is no civilized country in which there is less diversity of employment. Ireland is merely an outlying farm of England, cultivated merely to suit the trade with England, and not with a view to the best interests of the population; that is, such articles are cultivated as will bear transportation to, and sell in England. The industry of the country is narrowed down to agriculture, and that is narrowed to the consumption of Great Britain. The increasing population being confined to husbandry, agricultural labor increased and cheapened, until it could scarcely live on land producing abundance; that is, although the land produced sufficient to feed the inhabitants, they could not earn enough at agricultural wages to purchase food; and when the rot seized the potato, their chief food, a famine ensued which carried off more than a million of souls, and, including those who were driven off by its terrors, depopulated Ireland to the extent of two millions. This event is a disgrace to modern

Suppose a similar association among all the nations of the world, and the liveliest imagination could not fancy the sum of

civilization. If the industry of Ireland is not varied, the same causes will produce similar results within a few generations.

So, free trade with the Northern States has been a serious injury to the Southern States of this Union. The leading statesmen and politicians of the South have not dwelt upon this in the long catalogue of their sufferings, for the reason that they have, for a whole generation, been violent advocates of free trade with foreign nations. The men of the South are now living, who may live to see and acknowledge their great mistake in embracing the theory of free trade, and supporting it as the policy of the nation. We think the South *has suffered*, and that the North *has profited*, by *this internal free trade*, to an extent truly lamentable on the one hand, and truly astonishing on the other. The South has suffered from many causes, but the chief are the rapid dispersion of the planters in the old States, and the consequent utter prostration of the value of lands and of fortunes in those States, and free trade with the North. Being so abundantly, promptly, and cheaply supplied with every variety of goods, as well as food from the North and West, the South has attempted to live and flourish upon cotton or sugar. This effort, from the beginning down to this time, has been accompanied by loud and incessant complaints. The sugar of Louisiana has encountered that of Cuba, and the cotton being nearly the sole product of millions of laborers, has been forced upon the market in such enormous quantities, that the manufacturer has fixed the price, and not the planter. The manufacturers, mechanics, merchants, and farmers of the North, have made far larger gains for each head, than the planter of the South.

It would require no very great variation in the industrial and commercial policy of the planters to make a vast change in results. If the planters were less dependent on the northern markets they could purchase cheaper, and they could at any time realize more money from a three-quarter crop of cotton than from a full one. The position of industry in the South is difficult and peculiar. Unable to resort to those commercial and industrial restrictions by which they can save themselves from being inundated with commodities from the North and West, and enforce some diversity in their industry, they are obliged to drift in their policy wherever the chances of the current may carry them. But it is clear, notwithstanding their fierce advocacy of free trade, that the planters are not without some suspicion of the true nature of their troubles. Else, whence these commercial conventions, this struggle to get their own business in their own hands, to have their own commerce in their own ports, to export their own cotton and import their own supplies of foreign goods. All their complaints on this head, all their struggles for commercial independence, all their conventions, reports and protests are a mighty and unanswerable response to their theory of free trade. According to this theory, it is all right as it is—men understand their own interests best. New York is the real commercial capital, and

human well-being and enjoyments which it would procure for the human family.*

The idea of a confederation of all nations, and of a perpetual peace, are both clearly taught by reason and religion.† If duels between individuals are unreasonable, how much more duels between nations! The proofs which social economy draws from the history of civilization in favor of some general association of men under one system of law, are sufficiently striking to influence men of sound understanding.

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there the money and business should concentrate, and there should a large portion of the profits of Southern labor flow into the pockets of Northern merchants. If the South were in a condition to protect themselves by legislation from these real evils, who can doubt that a legislative remedy would be applied on the first opportunity? If the industrial conventions which have met in the South could have imposed commercial restrictions against Northern trade, who can doubt that it would have been done despite the fallacies of Smith and Say? And it would have been wisely and properly done. They are now merely seeking expedients to accomplish by voluntary action what they have no power to enforce by legislation. But they are constantly hampered and confused, both in their reasoning and in their action, by the glaring inconsistency between their avowed doctrines and their true policy.

Free trade is not now and never was the true policy of the United States, and whilst the industry of the whole country is protected from the cheaper labor of the rest of the world, some device should be sought as a compensation for the evils inflicted on the South by free trade with the North. The South cannot diversify her labor, which is indispensable to her prosperity, so long as the whole of her territory is kept saturated with Northern goods. How can a cotton factory at the South struggle into success, when its only market is filled with goods of older factories? It would be both right and wise to give public aid to every branch of industry suited to Southern labor, let the money come whence it might. The heavy cotton goods, at least, should be made in Southern mills. — [S. C.]

* We cannot concur in this. If all nations were alike able to endure competition, a universal and destructive rivalry would take place, and protection would become universal, or laborers would suffer. — [S. C.]

† The Christian religion teaches perpetual peace. But before the prophecy, "*there shall be but one shepherd and one flock*," shall be fulfilled, there is much to learn in the practice of the great Quaker doctrine. There is no better proof of the divinity of the Christian religion than to find its teachings and its prophecies in as perfect accordance with all the exigencies of the true material prosperity of men as it is with their right moral developments.

History teaches us that in a state of war human welfare is at its lowest degree, and that it rises in proportion as the associations of society increase. In a primitive state of the human race, we find only families; afterwards come cities, then confederations of cities, then the union of a whole country, and finally, the association of many States under one constitution. If the nature of things has been strong enough to extend to hundreds of millions the association which commenced with families only, we may imagine that its energy might suffice to effect the union of all nations. If the human mind has been able to appreciate the benefits of society upon such a large scale, we may regard it as capable of comprehending the advantage of an association embracing the whole of humanity. A multitude of symptoms reveal this tendency. It may suffice to recall the progress made in science, art, industry, and social organization. We can now predict, with certainty, that, in some ten years, owing to improved means of communication, civilized nations will be as closely united in their relations, both material and moral, and even more so, than the different counties of England were a century since. The governments of continental nations already possess, in the telegraph, the means of conferring together almost as readily as if they were upon the same spot. Powerful forces hitherto unknown have already elevated industry to a development beyond all expectation, and others still more powerful are giving tokens of their appearance. But as industry advances, and becomes diffused throughout different countries, war is rendered very improbable, if not impossible. Two nations equally advanced in industry, can mutually inflict greater injuries in one week than they can repair in the space of a generation. Consider also, that these new powers, hitherto specially devoted to production, will not refuse their energies to the work of destruction, and that they may be used for the purpose of defence generally; but especially are they at the service of the continental nations of Europe, even to the threatened result of depriving Great Britain of the defensive advantages arising from her insular position. In the Congress of its great powers, Europe possesses already the embryo of a future Con-

gress of Nations. Henceforward, the tendency to adjust public differences by means of protocols, must prevail over that of extorting justice by force of arms. More correct ideas on the subject of wealth and industry are now prevalent, and the best minds throughout the world are convinced that the civilization of barbarous and half-barbarous people, the restoring nations which have retrograded, and the foundation of colonies, offers to the more advanced nations a field for the development of their productive power, far more promising and satisfactory than war or hostile commercial regulations. In proportion as this conviction becomes established, and as the means of communication shall open between civilized and uncivilized nations, the former will more fully comprehend that the civilization of barbarous people and nations rent by long-continued anarchy or oppressed by bad governments, is a mission worthy of great national efforts, a mission which belongs to all, and which can only be accomplished by associated efforts.

It seems to be an unalterable law of our nature, an instinct of humanity which prompts or stimulates civilized nations, to extend their power over people of less culture: hence we may infer that the civilization of all nations and the culture of all the world and its inhabitants is the true mission of national power and intelligence. On all sides we observe population, intellectual power, and material capital, increasing under the influence of civilization to the point of being forced forward upon other less civilized countries. When the soil can no longer feed its population nor give employment to those who dwell upon its surface, the unemployed must go to distant countries, seeking more fruitful fields; when talents and industrial capacity no longer obtain a sufficient compensation by reason of an over-supply, they emigrate, seeking homes where their services may be in demand; when, from the accumulation of material capital, the rate of interest falls so low that small capitalists can no longer live, they too, must emigrate to poorer countries for more profitable investments.

The system of Say or his school rests, therefore, upon a true idea, an idea that science, if faithful to its vocation of aiding

the practical, must admit and elaborate; an idea that practice cannot disregard without going astray. This School has, however, neglected to take into account separate nationalities, their interests, their particular condition, and to reconcile them to the idea of universal union and perpetual peace.*

The School has admitted as realized a state of things to come. It presupposes the existence of universal association and perpetual peace, and from it infers the great benefits of free trade. It confounds thus the effect and the cause. A perpetual peace exists among provinces and states already associated; it is from that association that their commercial union is derived: they owe to perpetual peace in the place they occupy, the benefits which it has procured them. History proves that political union always precedes commercial union. It does not furnish an instance where the latter has had the precedence. In the actual state of the world, free trade would bring forth, instead of a community of nations, the universal subjection of nations to the supremacy of the greater powers in manufactures, commerce, and navigation. The reasons for this opinion are not only strong, but in our view beyond all dispute.

An universal republic, as it was understood by Henry IV.,

* We must again express our dissent. There are doubtless many truths and many valuable materials in the works of Say and those who support his system. But it is conceding far too much to say it reposes upon a true idea. Say was by far too logical a writer not to have constructed a better system if he had started from a true idea. Even a true idea becomes false when placed in a wrong connection. He began with wealth and ended with wealth. If wealth be wholly abstracted from considerations of human welfare, it becomes an absurdity. No science or system can be predicated of wealth apart from its use as a means to human welfare. If, then, wealth is only a means of benefit to men, it can be considered as no more than one of the means for this end, and it must, in its production, distribution, and consumption, be kept strictly in subordination to that end. Wealth is then only secondary in its nature. The real element of political, or social, or public economy is human well-being. From this point must every system spring, and from this starting-point must all its developments be made. The system of which Say is the founder, called by List the School, does not repose upon this basis, nor develop from this starting-point. It has a false starting-point, therefore, and, so far as it is consistent, its elaborations are either false or misapplied. — [S. C.]

and by the Abbé de St. Pierre, that is, an association in which all nations should mutually acknowledge the same legal authority and renounce the right of enforcing justice, as between themselves, is realizable only so far as a certain number shall have reached the same, or nearly the same degree of industry, civilization, political education, and power. Free trade can be extended only by the gradual progress of such an union; it is only by it that nations can obtain the great benefits of which associated states and provinces offer us in our time such an example. The protective system is the only means by which nations less advanced can be raised to the level of that nation which enjoys a supremacy in manufacturing industry — a monopoly not conferred by nature, but seized by being first on the ground; the protective system, regarded from this point of view, will be the most effective promoter of universal association among nations, and consequently free trade. And from this point of view, political economy is a science which regards existing interests and the special condition of nations, shows how each one may arrive at that degree of economical development, to which association with nations of equal culture and advantages, free trade included, may by any possibility carry a nation.

But the School has confounded the two doctrines; it commits the grand error of applying to the condition of different countries principles strictly cosmopolite, and at the same time of disregarding, from political considerations, the cosmopolite tendency of productive power.

It is from having overlooked the cosmopolite tendency of productive power that Malthus has fallen into the error of wishing to restrain the increase of population; that more recently Chalmers and Torrens have conceived the strange idea that the augmentation of capital and of production, without bounds, were evils to which the public interests demand a limit; that Sismondi has declared manufactures to be injurious to society.* This theory may be compared to Saturn: it devours

* In every science, and especially every one that has not reached its full development, some groping in the dark will be detected among those who cultivate it; some opinions must be hazarded, and some errors committed;

its own children; in the development of population, capital, and machinery, it finds the division of labor, and explains by that

but the errors must belong to the individuals, and the truths to the science. Thus science has not admitted the uneasiness of some minds on the subject of a pretended excess of production, an uneasiness which List properly regards as strange, and to which Say has done full justice in his theory of markets. Science has, in like manner, rejected the exaggerated speculations upon political economy, of a man who, by important historical labors, has acquired a reputation which has given these writings but too much influence even among persons of distinguished intelligence.† As to the speculations of Malthus upon population, science having rectified some of his formula, has adopted them as a whole.

It is to be regretted that, at a time when it is attempted to destroy, by the epithet Malthusian, the influence of all who accept not the Utopian reveries of the day, we find the authority of an eminent man on the side of the declaimers. But List has spoken of the theory of Malthus under the influence of generous but not well-considered feelings, rather than as the result of an attentive examination which he had never made. Doubtless the world we inhabit presents vast spaces still uncultivated; and the production of articles of food, and consequently of population, is susceptible of an immense increase; it is not the less true that the progress of population ought not to precede that of production; sound morals does not the less require of a man not to yield blindly to his appetites like a brute, and an enlightened charity ought none the less to recommend prudence to the working classes in the matter of marriage, as the essential condition of their independence and their well-being.

In some lessons of his Course of Political Economy, and in his introduction to the work of Malthus, Rossi has treated this subject with a lofty intelligence, and with a true sympathy for the best interests of the laboring population. — [H. R.]

The above is less to our taste than any note of Richelot in the whole volume. It seems to imply that the prevalence of Utopian or socialistic writings in France has driven the more intelligent and sensible men to embrace the worse than Utopian speculations of Malthus; they have even gone so far as to adopt the whole of Malthus, with slight exception, into the science of political economy. Who has adopted it? The disciples of Say; for they alone hold the keys of the science. There is no other system which claims the dignity of a science. We can only say that if this science

† We think the world would do far better to heed the suggestions and warnings of Sismondi, who is here referred to, than to accept and obey the so-called science of Say. Sismondi is an eloquent and earnest friend of humanity — Say is a writer upon wealth, apart from humanity. — [S. C.]

law the progress of society, and then begins to regard population, capital, machinery, as monsters threatening the prosperity of

were not destined by its own defects to unavoidable destruction, it would inevitably sink with Malthus on board. We needed no Malthus to inform the world that if population increased faster than food, people might come to want, or even starve; nor that men in humble life, dependent upon daily wages for a living, should be prudent in the matter of marriage. That much was known before by those who never dreamed of any obligations to science for the knowledge. Indeed it would be hard to tell why prudence in dress, in eating and drinking, is not as much within the domain of political economy as prudence in marriage; for prudence in the one case concerns wealth, and in the other population. Our objection to Malthus's doctrine is, that it is but the essence of the fatal policy of England in regard to the working classes, rendered into good English and the phraseology of science. Malthus having assumed that the economical policy of England was as it should be, and finding in England a vast multitude of men and women who were wretched, destitute and poor, degraded and miserable, dependent upon labor for a living, and unable to find labor, residents of poor-houses, and living upon public alms, given as grudgingly as ever taxes were paid, took all this as a natural and necessary condition of things, and applied himself to the demonstration that population had overtaken and passed production in England, and that such was its tendency everywhere. All this was in defiance of the capacity of England to feed and maintain comfortably many-fold its present population. It is already more than double what it was when Malthus wrote. If the whole soil of England had belonged to ten land-holders, and if it had only suited their views to have it occupied by a population of a million, then Malthus would have decided, and the science of the School would have adopted the decision, that all the people born over and above the million, were supernumeraries, and a proof that population was transcending its proper scientific limits. And if the ten land-holders should persist in limiting the production of food to what sufficed for the million, then science would be ready to decide that production had been overtaken by population. Malthus assumed the fact of pauperism to be proof of over-population. We cannot agree that in any sense there is science or philosophy in this method. The dictate of true philosophy or science would be to enquire first, what was the economical cause of this pauperism and deficiency of food in a country capable of sustaining a population many times greater; and secondly, what policy or economical system was best fitted to restore the equilibrium between food and population, and to provide for the well-being of that increase of population which would be sure to follow a wise and skilful administration of public affairs. We say that economical science must be exclusively directed to the exigencies of progress in human affairs, — to the exigencies of in-

nations; for regarding in this case only the actual condition of a particular nation, it loses sight of the state of the world and the future progress of mankind.

It is not true that population increases with more rapidity than subsistence; at least it is folly to admit that disproportion, and to attempt the proof by means of intricate calculations and mere sophisms, so long as the earth offers an amount of unemployed forces great enough to feed ten, perhaps an hundred fold more inhabitants than now occupy it.

It is but a narrow view of the subject to assume the actual capacity of productive power as the measure for the number of men who may find subsistence upon a given space. The savage, the hunter, and the fisherman, could not, in their mode of calculation, find room sufficient upon the whole earth for more than a million of men, the shepherd for more than ten millions, the unskilled farmer for more than a hundred millions; and yet Europe alone, in our day, feeds a population of two hundred millions of inhabitants. The cultivation of potatoes and plants, suited for the food of cattle, with other recent improvements in agriculture, have increased ten-fold the power of men for the production of food. In England, during the Middle Ages, an acre of land yielded in wheat four for one; now it yields from ten to twenty for one, and five times more land has been brought under cultivation. In several European countries, the natural fertility of which is the same as that of England, the actual product does not exceed four for one. Who can assign limits to the discoveries, inventions, and progress of mankind? Agricultural chemistry is still in its infancy. Who can say if to-morrow shall not bring forth a new discovery or some new process, which may quadruple, if not decuple the fecundity of

creasing population, industry, productive forces, wealth, power, trade, domestic and international. Science must first announce the whole law of economical progress to its utmost limits, before it grapples with the law determining the policy of nations which have reached their grand climacteric. Malthusian science can never be applicable until the law or science of progress is exhausted; and then it will never be heard of, if Christianity has a voice in deciding the questions it propounds and discusses. — [S. C.]

the soil? Artesian wells have already furnished the means of transforming thirsty solitudes into fertile fields. How many new elements may yet be buried in the bowels of the earth!

Suppose that some new discovery should enable men to produce heat at pleasure, and at a very low cost, without recourse to any fuel actually known, how much land would not that discovery bring into culture, and in what an incalculable proportion would not the productive power of any given space be increased? If the theory of Malthus appears narrow in its tendencies, it is also in its means contrary to nature, destructive to moral energy — in one word, horrible! It destroys a motive employed by nature to stimulate men to effort of body and mind, to awaken and to exalt their noblest feelings, a motive to which the human race owes the most of its progress. It enacts into law the harshest egotism, it asks us to shut our hearts and our hands against the hungry, for in giving them food and drink, we may be the cause, perhaps, that thirty years hence another may be famished. It substitutes calculation for pity. Such a doctrine would change the hearts of men into stones. And what should we expect from a people with hearts of stone, but the complete ruin of morals, and consequently, the destruction of productive power, the loss of capital, civilization, and the political power of the country?

If the population of a country exceeds the production of subsistence, if capital increases so as no longer to find employment, if the use of machinery deprives multitudes of work, if, finally, manufactured products encumber the store-houses, it is a proof that nature intends not industry, civilization, riches, and power, to be the exclusive portion of any single people, so long as a large portion of the surface of the earth suitable for tillage shall be inhabited by savage animals, and the greatest part of the human race shall be plunged in barbarism, ignorance, and misery.

We have just exhibited the errors into which this school of economists has fallen, by considering, from a political point of view, the productive power of man. Let us now point out those

which it has committed by regarding the particular interest of nations, from a point of view wholly cosmopolite.

If there existed such a confederation of nations as that of the United States of North America, the surplus of population, talents, industry, power, and material capital, would flow from England toward and over the continent, just as it now flows from the Eastern States of the American Union to and over the Western States, only upon the condition, however, that the countries of the continent could offer the same security to persons and property, the same constitution, the same general laws, and that the English government could be subjected to the collective authority of a general confederation. In such an hypothesis, there could be no better means of elevating those countries to the degree of wealth and civilization which England has attained, than free trade; such is the argument of the School. But in the actual state of the world, what would be the effect of such a free trade?

The English nation, as an independent and isolated nation, should take its own interest as the governing rule of its policy; Englishmen, attached to their bank, to their laws, to their institutions and habits, should, as much as possible, employ their means and capital in the industry of their own country; free trade, by opening all the countries of the world to the products of English manufactures, would encourage their policy; they would not, in such case, be apt to entertain the idea of establishing manufactures in France or in Germany. Any surplus of capital would be of course applied in England to the promotion of external commerce. If obliged to emigrate with the view of investing capital abroad, as is the case in our day, they would prefer to the continental nations of their vicinity, remoter countries, where they would find their own language, their laws, and their institutions. England would thus become one immense central manufacturing city. Asia, Africa, and Australia, would be civilized by her, and be covered with new States after her own image. In the course of time, under the presidency of the mother country, would come forth a world of English states, in which the nations of the European continent would be lost as

insignificant and sterile races. France would share with Spain and Portugal the mission of supplying the English world with the best wines, and of drinking themselves the worst; at the most, she might retain the manufacture of a few articles for the world of fashion. Germany would have nothing to furnish this English world but toys for children, wooden clocks,* philological writings, and, now and then, a body of auxiliaries, destined to be killed or consumed in some desert of Asia or Africa, in a struggle to extend the manufacturing and commercial supremacy, the literature and the language of England. Not many centuries hence in that English world, the Germans and the French may be spoken of with altogether as much respect as we speak now of Asiatic nations.

But political science teaches that this development by the help of free trade, is contrary to nature. If in the time of the Hanseatic League, so it argues, free trade had been established, German, instead of English nationality, would have taken the start of all others in commerce and in manufactures. It would be supremely unjust to attribute to the English, from cosmopolitical considerations, all the wealth and all the power of the globe, solely because they first developed their own commercial system, and beyond any other people have disregarded the cosmopolite principle. To the end that free trade may operate naturally, it is necessary that the nations less advanced than England, should be raised by artificial means to the same degree of development at which England has arrived artificially. Through fear that in virtue of this cosmopolite tendency of productive power, upon which we have just remarked, distant countries should be sooner improved than the nations of continental Europe, those nations which are certain, that from their moral, intellectual, social, and political state, they can become manufacturing communities, should at once have recourse to the protective system as to the only means of attaining this end. The effects of the protective system are displayed in two ways: first, by excluding, gradually, foreign products from our

* This article should be omitted. New England has now nearly all that trade.

own markets, we produce in other countries a surplus of labor, of industrial power and capital, which must look abroad for employment; secondly, by premiums offered for the emigration of laborers, industrial skill and capital, we attract to our own country that surplus of productive power, which would otherwise retreat to distant regions or colonies.

Public policy sends us to history for the proof, and asks if England has not drawn to her shores in that manner an immense amount of productive power from Germany, Italy, Holland, Belgium, France, and Portugal. It asks why the cosmopolite school, in comparing the inconveniences and the advantages of the protective system, entirely overlooks that great result.

CHAPTER II.

THE THEORY OF PRODUCTIVE FORCES AND THE THEORY OF VALUES.

THE celebrated work of Adam Smith is entitled: *The Nature and Causes of the Wealth of Nations.* The founder of the reigning school has thus indicated with exactness the double point of view under which the economy of nations, as well as that of individuals, is to be considered. The causes of wealth are quite a different thing from wealth itself. An individual may possess wealth, that is, exchangeable values; but if he is not able to produce more values than he consumes, he will be impoverished. An individual may be poor, but if he can produce more than he consumes, he may grow rich.

The power of creating wealth is then vastly more important than wealth itself; it secures not only the possession and the increase of property already acquired, but even the replacing of that which is lost. If this be so with mere individuals, how much more is it true with nations, which cannot live upon their own income! Germany has been in every age wasted by pestilence, famine, or civil and foreign war, but has always preserved

the greater part of her productive power, and thus has always quickly recovered her prosperity; whilst Spain, rich and powerful, but trampled upon by despots and priests, Spain, in full possession of internal peace, has sunk into constantly increasing poverty and misery. The same sun still shines upon the Spaniards, they possess still the same soil, their wines are as rich as ever, they are still the same people as before the discovery of America, and before the establishment of the Inquisition; but Spain has lost by degrees her productive power, and has thus become a poor and miserable country. The war of emancipation cost the Colonies of North America hundreds of millions, but their independence increased so immensely their productive power, that a few years of peace added to their wealth greater possessions than they before enjoyed. Compare the state of France in 1809, with that of 1839: what a difference! And yet France, since 1809, has lost a considerable part of the European continent, has undergone two devastating invasions, and paid millions upon millions for the expenditures of war.

A penetrating mind like that of Adam Smith, could not entirely overlook the difference between wealth and its causes; nor the decisive influence of these causes upon the condition of nations. In his introduction, he distinctly announces that: "Labor is the fund which originally supplies a nation with its wealth; and the abundance or scantiness of the annual supply must depend principally upon the actual state of the skill, dexterity and judgment with which labor is applied, the productive power of labor, and upon the proportion between the number of those who are annually employed in a useful labor and those who are not so employed." It is easy to see that Adam Smith perfectly understood that the welfare of nations depends chiefly on the amount of their *productive power.*

But, it appears not to be in the order of nature that a science shall come forth complete from the head of any single philosopher. It is but too evident that the cosmopolite idea of the Physiocrats, *universal free trade*, and that really great discovery of the *division of labor*, preoccupied him too much to allow the

pursuit of the idea of productive power. However great the obligations of science to him in other respects, the discovery of the division of labor was in his own eyes the strongest of his titles to public favor. It was to make the reputation of his work, and the celebrity of his name. Too shrewd not to understand, that he who is about to sell a precious stone of great value does not carry the jewel to market in a sack of wheat, however useful that grain may be in its place, he knew better how to exhibit his commodity; having too much experience to be ignorant that a debutant (and he was but a debutant in political economy when he published his work), who is fortunate enough to make a strong impression in the first act, obtains easily all needed indulgence in the following acts, if he but keeps himself above mediocrity, he wisely commenced his work with the doctrine of the division of labor. Smith was not mistaken in his calculation; his first chapter made the fortune of his book, and established his authority.*

We believe ourselves safe in affirming, indeed, that it was the desire of bringing into favorable light the important discovery of the division of labor which hindered Adam Smith from pur-

* Adam Smith is well known not to have been the discoverer of the division of labor, either as a fact or principle. His merit was in the application of it in a treatise upon political economy. The fact and principle are both so obvious to practical men, and even to careless observers, that it would be vain to inquire who was the discoverer. It had been referred to distinctly, by various writers, long before the time of Adam Smith. A passage from the works of the Chinese sage, Mencius, who lived some two thousand years ago, may suffice as an example. "Does the farmer," asked Mencius, "weave the cloth or make the cap which he wears? No; he gives grain in exchange. Why does he not make them himself? It would injure his farming. Does he make his own cooking-vessels, or iron implements for farming? No; he gives grain in barter for them; the labor of the mechanic and that of the husbandman ought not to be united. "Then," says Mencius, "are the governments of the empire and the business of the farmer the only employments that may be united? There are employments proper to men of superior station, as well as to those in inferior conditions. Hence, it has been observed, some labor with their minds, and some with their bodies. Those who labor with their minds rule, and those who labor with their bodies *are ruled.*"— [S. C.]

suing the idea of productive power, announced in his introduction, and so often reproduced by the way, it is true, in the rest of his book; and which prevented him from giving to his whole book a more perfect form. The high estimate placed by him upon his idea of the division of labor, led him to represent labor as the basis of the wealth of nations, though he had seen clearly, and though he declares that the productiveness of labor depends on the degree of skill and intelligence with which it is directed. We ask, then, is it reasoning scientifically, to offer as the cause of a phenomenon that which is merely the result of a multitude of more profound causes?

It is beyond all doubt, that riches can only be acquired by the means of the mind and of the body, or of work; but that is not assigning a cause from which useful deductions may be drawn; for history shows that nations have sunk into poverty and misery despite the labor and economy of their citizens. He who wishes to learn how one nation may have risen from poverty and barbarism to opulence and civilization, and how another has fallen from wealth and prosperity into poverty and misery, simply from the doctrine, that labor is the cause of wealth, and idleness is the parent of poverty, (a remark made by Solomon, before Adam Smith,) will not fail to put this new question, What, then, is the cause of labor, and what that of idleness? The head, the hands, and the feet of men might be given with more accuracy as causes of wealth. At least, this would be much nearer the truth; the point of the question would then be to know why these heads, hands and feet applied themselves to the work of production, and why their efforts were successful. What is it but the mind which animates individuals? What is it but social order which makes their activity fruitful, and their natural powers efficient? The better a man comprehends what he owes to the future, the more his ideas and feelings lead him to secure a favorable position in life for those nearest to him, and to make them happy; the more he is accustomed from childhood to reflection and activity—the more his generous instincts have been cultivated, and his body and mind exercised—the more advantage he had in early life of fine examples—the more occa-

sion he had to employ his intellectual and physical powers for the amelioration of his lot, the less is he checked in his proper sphere of activity, the happier are his efforts, and the more assured are the results; the more order and activity give him a title to respect and public consideration, the less is his mind a prey to prejudices, superstition, error and ignorance; finally, the more he applies his mind and members to production, the more will he be able to produce, and the more assuredly will he reap the reward of his labor. In all these respects the principal thing is the condition of society in which the individual has been brought up, and in which he moves. It is important to know if science and art flourish in them; if institutions and laws favor religious sentiment, morality and intelligence, security for person and property, liberty and justice; if in the country all the elements of material prosperity, agriculture, manufacturing industry, and commerce, are equally and harmoniously developed; if national power is strong enough to secure to individuals the transmission of material and moral progress from one generation to another, and to enable them, not only to employ the whole national power of a country, but also, by means of external commerce and colonies, to employ the national power of foreign countries.

Adam Smith has so little understood the nature of those powers in general that he does not even consider as productive the intellectual efforts of those who are engaged in administering justice, and preserving order, giving instruction, upholding religion, or cultivating science and art. His researches are limited to that activity of men which produces material values. He acknowledges that the productive power of that activity depends on the skill and intelligence with which it is applied; but his investigations as to the causes of that skill and intelligence do not lead him beyond the division of labor, which he explains only by exchange, by increase of material capital, and by the extension of markets. Thus his doctrine becomes more and more materialist, special, and individual. Had he pursued the idea of productive power without suffering himself to be controlled by that of value, *exchangeable value*, he would

have comprehended that at the side of a theory of values there is required an independent theory of productive power to explain economical phenomena. But he went so far astray as to explain the moral powers by purely material circumstances, and from this error springs all the absurdities, all the contradictions, of which his school has been guilty down to this day, as will be seen, and which are the chief reasons why the teachings of political economy have found so little favor with the best minds. Smith's school teaches little else but the theory of value; he draws from this idea of exchangeable value, that which serves as the basis of his doctrine, and the very definition which he gives of the science.

According to J. B. Say, this science teaches how riches or exchangeable values are produced, distributed, and consumed. It is evidently not the science which explains how productive power or forces are awakened and maintained, and how they are repressed or annihilated. McCulloch calls it expressly the science of values, and recent English authors designate it by the name of the science of exchange.*

* There are many observations to be made upon this passage. I admit willingly that Adam Smith has not drawn all the conclusions possible from the idea of productive force; but, so far from having overlooked it, he has clearly stated it. What is his *division of labor* but an efficacious means of augmenting productive power? Does he not frequently recur to general security as a necessary condition to the productiveness of labor? Although Adam Smith has not scientifically established that labor is the sole source of wealth, and although to designate wealth he has habitually employed the expression, *the annual product of labor and of the earth*, List with bad grace disputes the honor with him of having first, as against the Physiocrats, who denied the agency of labor in the production of wealth, restored labor to its true position and agency. He is unfortunate also in his criticism upon Say and McCulloch.

The definition of political economy by Say remains to this day the most perfect which has appeared; it can only be shortened by simply saying that political economy is the science of *the production and the distribution of riches*. It implies nothing contrary to the ideas of the author of the *National System;* wealth is indisputably the object of political economy; but taking this position by no means hinders any one from preferring to wealth the forces or power which produce it.

As to McCulloch, after having defined the science nearly in the words of

Examples drawn from private economy will bring into full light the difference between the theory of productive power and

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Say, he adds, (page 3 of his *Principles*,) "Political economy may be called the science of values, for no object without value can be included in the circle of its investigation." McCulloch, distinguishing *value* from *utility*, means here simply to eliminate as strangers to political economy, the wealth which nature lavishes prodigally upon all, and to which labor, or at least appropriation, has added no exchangeable value. He then assigns as the mission of political economy, an inquiry into the means of increasing the productive power of labor.

J. Stuart Mill has pointed out the vice of that definition by which some English writers have made political economy the science of exchanges; he has established that the laws of production would be the same, were there no exchange of products; and that although the remuneration of labor in our social condition depends upon the price of merchandise, exchange is no more the fundamental law of distribution than roads and carriages constitute the law of movement. The two essential facts of political economy are the production and the distribution of riches; and these alone should appear in the definition.

However this may be, the absolute distinction between the theory of values and that of productive forces, appears to me no more tenable than that in the preceding chapter between political economy and cosmopolite economy; it can only serve, as did the latter, to make more distinct the errors and omissions of the predecessors of List. All the treatises upon political economy contain an analysis such as that of the productive forces; but it is very true that the economists, and the best of them, have carried into the science a narrow mind, and that they have been too exclusively preoccupied with the actual gains or the immediate loss of values. However, in place of constructing a new theory at the side of a theory already existing, the object should be purely and simply to enlarge this one by giving it, in place of a limited point of view, a wider range of observation. In the succeeding paragraph, List places, in a striking light, the difference between the one and the other. — [H. R.]

List is no more the discoverer of the theory of productive forces than Adam Smith was of the division of labor. Adam Smith applied to his system the division of labor; List has applied the principle of productive forces, which Smith had merely noticed. Smith's system is so incomplete, without this application which List has first fully made, that we must suppose he could not have appreciated it. As an element it is of far greater importance than the division of labor, because it includes it.

Definitions are dangerous ground for the later disciples of Say. The definitions of the followers of Smith and Say so run into each other, and so cross each other, that no possible ingenuity can ever disentangle or recon-

the theory of values. If of two fathers of families, both proprietors of land, each saving yearly the sum of one thousand dollars, and each having five sons, the one invests his savings in keeping his sons at manual labor, whilst the other employs his savings in making two of his sons intelligent agriculturists, and in preparing the three others for professional life, conformably to their several aptitudes, the first acts according to the theory of values, and the second according to that of productive powers. At the time of his death the former will be richer than the latter in exchangeable values, but as to productive power the contrary will be the case. The estates of the one will be divided into two parts, each of which being skilfully worked will give a net product equal to the whole before, at the same time the three other sons would have in their talents ample means of living. The estate of the other would be divided into five parts, each of which would continue to be as badly cultivated as the whole had been before. In one family a great amount of moral power would have been developed, and many talents destined to in-

cile them. Say's definition is undoubtedly a good one of Say's system, but there are so many differences among his disciples, that it is far from being suitable for all. In one respect they all agree, and that upon a point which is the fatal error of all. They describe a science of wealth, or of values, or of exchanges, or of production, without reference to the secondary character of all these things as means to human welfare. For our part, we reject all definitions and systems which do not expressly recognize the connection of human welfare with the subject. When we meet a definition running thus, *The science of human well-being in its relations with the production and distribution of wealth*, we shall begin to hope the science of social, or political, or national economy, is commencing to assume its proper proportions.

The definition of J. Stuart Mill, above mentioned, aims a heavy blow at free trade. According to the authority of the school of Say, free trade is the sole arbiter of production. Let free trade prevail, they say, and the whole progress of production and distribution will proceed with perfect success and advantage. Mill, however, declares that exchange, that is, trade, is not a fundamental law of production, which is the same with or without trade; this sweeps off at once the whole theory of free trade. Followed out to its results, this position would be equally destructive to Say's system; for it is wholly dependent upon free trade for all the life there is in it. — [S. C.]

crease from generation to generation, each succeeding generation possessing larger resources for the acquisition of wealth than the one preceding. In the other family, on the contrary, stupidity and poverty would increase in proportion as the estate became more and more divided.* It is in this way the planter increases, by means of his slaves, the quantity of his exchangeable values, but ruins the productive power of succeeding generations. Every expense for the instruction of youth, for the maintenance of justice, for the defence of the country, is a destruction of values for the benefit of productive power. The greatest part of the consumption of a country has for its object the education of the coming generation, the care of the future productive power.

Christianity, monogamy, the abolition of slavery, and qualified servitude, hereditary thrones, the invention of printing, of posts, of coinage, of weights and measures, of calendaring, of watches, the police, the enfranchisement of lands, and the vastly improved means of transportation, are rich sources of productive power. To be convinced of it we need only compare Europe with Asia. To have a just idea of the influence of liberty of thought and

* In the lecture already cited on the subject of commercial liberty, Rossi employs the same illustration of two fathers of families, and the sacrifices they are willing to make in view of the future, under another form, it is true, but for the purpose of furnishing a reason for temporary exceptions to the rule of free trade. "In an economical point of view, to ask if the principle of free trade admits exceptions, is the same thing as to ask if there are circumstances in which the restrictions may augment the sum of national wealth. Now, if it is meant by this immediate augmentation, then it may be said, such circumstances can never occur. No one can ever be enriched at once by paying a high price for that which he can purchase cheaper. But there is not a father of a family who does not know that a sacrifice to-day may be followed by a benefit to-morrow, which not only compensates, but even exceeds the outlay. An administration at once prudent and enlightened makes experimental efforts and advances which cannot always be immediately remunerative. There is no father of a family who, if he had strong reasons to believe in the existence of valuable mines on his domain, who would not feel himself obliged, if he had the means, to make some attempts to verify the fact, and open to his children this new source of prosperity. The same thing is true of a nation." — [H. R.]

liberty of conscience upon the productive power of a nation, we need only read successively the History of England and the History of Scotland. Publicity of judicial decisions, trial by jury, enactment of laws by a parliament, a government subject to public control, the local administration of towns and corporations by themselves, the liberty of the press, freedom of association for purposes of general utility, all these impart, in constitutional states to the citizens as well as to the government, an energy and power which could scarcely be acquired by any other means. No law or public institution can be imagined but must have more or less influence upon the increase or the decrease of productive power.*

If bodily labor be designated as the only producer of riches, how can it be explained that modern nations are incomparably richer, more populous, more powerful and prosperous than the nations of antiquity? Among the ancients, there was relatively to the whole population many more laborers employed. The labor was much harder, land was cultivated in larger parcels, and yet the mass of citizens was worse fed, worse clad, than in modern times. This is explained by the progress of past ages in science and art, in what concerns the family and the nation, in intellectual culture, and in productive capacity.† The actual condition of nations is the result of an accumulation of discoveries, inventions, improvements, the efforts of all previous

* Say tells us, in his *Economie Politique Pratique*, "that laws cannot create wealth." That is true; but they can create productive forces more important than riches, or the possession of exchangeable values.

† As to the development of productive power in modern society, I refer the reader to the second lecture of the *Course of Political Economy*, by *Michel Chevalier*, for the years 1841–2. We find there, that the increase of this productive power in the manufacture of iron in four or five hundred years, is as 1 to 25 or 30; in the manufacture of flour, the progress has been, since the days of Homer, as 1 to 144; in cotton fabrics, as 1 to 320 in seventy years; and in the spinning of flax, as 1 to 240 within a few years; that in America, in the transportation of goods, productive force has increased, since the time of Montezuma, as 1 to 11,500. — H. R.]

This comparison is between what one man could do at the times mentioned, and what one man can do now with all modern facilities and machinery. — [H. R.

generations; it is that which constitutes the intellectual capital of the living race of men, and a nation is productive only in proportion as it is able to assimilate or digest these conquests of anterior generations, and to increase them by its own acquisitions. This productiveness will be modified, of course, by natural resources, by the extent and geographical position of territory, the number of inhabitants, and their political power; by capacity for improving within national limits, in a superior and harmonious manner, every branch of labor, and extending moral, intellectual, industrial, commercial, and political influence over less advanced nations and over the world in general.

The School would persuade us that politics and the government of the State have nothing in common with political economy. In so far as it limits its researches to values and to exchange, this may be right; it may be possible to define value, capital, profits, wages, and rent, and to analyze and ascertain their elements, to examine the causes which determine their variations without taking into account political circumstances. But there is obviously an element of private or individual economy in this economy of nations. It suffices to read the history of Venice, of the Hanse Towns, of Portugal, Holland, and England, to understand how far individual wealth and political power act and react upon each other. Wherever that reciprocity of action is manifested, the School falls into the strangest contradictions. We shall confine ourselves to a remark upon Adam Smith's singular opinion of the English Navigation Act.

Not perceiving the true nature of productive power, and not embracing the various kinds of civilisation, the School overlooks in particular the importance of a parallel development of agriculture, manufacturing industry, and commerce, public power, and national wealth, and above all, of an independent manufacturing industry, developed in all its branches. It commits the error of classifying manufacturing industry with agriculture, and of speaking in general terms of labor, natural power, capital, etc., without taking into consideration the differences which exist between them. It does not perceive that between a country merely agricultural and a country manufacturing and agricultu-

ral, the difference is much greater than between a pastoral people and an agricultural people. Where mere agriculture is the exclusive employment of the people, we find despotism or abitrary rule and servitude, superstition and ignorance, the want of civilization, trade, and means of transportation. In a country wholly agricultural, a very small portion only of the intellectual and corporeal powers of the people is evoked and developed, the smallest part of its natural powers is brought into exercise, and there is none, or very little increase or accumulation of capital. Compare Poland with England; both countries were formerly in the same stage of culture; but what a difference at present! Manufactures and manufactories are the mothers and the daughters of civil liberty, of intelligence, of arts and sciences, of external and internal trade, of shipping and improved means of transport, of navigation and political power. They are the chief means of emancipating agriculture, of raising it to the rank of an industry, of an art or a science, of increasing the rent of land, agricultural profits, the wages of laborers and the value of land. The School has attributed the chief civilizing power to external trade, and has thus mistaken an intermediate step for a cause. They are foreign manufacturers who furnish to foreign commerce the goods it brings to us, and which consume the agricultural products and raw materials which we deliver in exchange. If dealings with distant manufacturers have such a beneficial influence upon agriculture, how much more profitable and advantageous must be an exchange with manufacturers united in bonds of intimacy at once local, commercial, and political, who purchase from us not merely a small part, but almost all the food and raw materials they consume — products not enhanced in price to either party by expenses of distant transportation. Manufacturers, whose relations with us are not liable to be interrupted by the opening of new markets in foreign countries, nor by war, nor by commercial regulations of countries not under our control.

We see now into what errors, into what strange contradictions the School has fallen from having confined its researches to ma-

terial riches or to exchangeable values, and from considering bodily labor as the only productive power.

According to it, he who raises swine is accounted a productive member of society; he who raises men is unproductive; he who manufactures for sale bag-pipes or jews-harps, is a producer; the greatest musicians are not, because what they play cannot be exhibited in market. The physician who saves his patient, does not belong to the productive class, but the druggist's boy belongs to it, though the exchangeable values or the pills which he makes have but a few minutes of existence before they are destroyed. A Newton, a Watt, a Kepler, are not as productive as an ass, a horse, or an ox, laborers whom McCulloch has recently placed in the rank of productive members of human society.

Think not that J. B. Say, by his fiction of immaterial products, has corrected this error of Adam Smith; he only masks the absurdity of its consequences, but has not rescued the doctrine from the materialism with which it is imbued. In his view, intellectual or immaterial producers are only productive because they are remunerated by exchangeable values, and because their knowledge has been acquired at the price of such values, but not because they are producers of productive power.* In his view, they are nothing but accumulated capital. McCulloch goes farther: he says that man is a product of labor as much as the machine which he produces, and it seems to him that in all economical researches man must be regarded in this point of view. Smith, he says, assented to the correctness of this principle, but omitted to draw from it the legitimate conclusion. One of the consequences which he deduces himself is, that to eat and to drink are productive occupations. Thomas Cooper values a good American lawyer at three thousand dollars, about three times as much as an able-bodied slave.

* Say expresses this opinion in many places. We select a passage from his *Economie Politique Pratique.* "The knowledge of a Lawyer or a Physician, which has been acquired by some sacrifices, and which produces an income, is a value in capital, not transmissible it is true, but which resides in a visible body, that of him who possesses it.

The errors and contradictions of the School, to which I have just adverted, can be readily rectified when regarded from the point of productive force. Those who raise pigs, and those who manufacture bag-pipes or pills, are indeed productive; but the instructors of youth and of manhood, musicians, virtuosos, physicians, judges, and statesmen, are productive in a much higher degree. The former produce exchangeable values; the latter, productive power; of the latter, some prepare future generations for production; others develop in the actual generation the moral and religious sense; others apply themselves to strengthen and to elevate the mind, others restore the productive power of the sick or disabled; others act as legal guardians; others maintain social order; finally, others, by their various arts, and by the enjoyment they afford, encourage and stimulate the production of exchangeable values. In the doctrine of values these producers of productive power cannot be taken into account, except so far as their services are remunerated in exchangeable values: and this mode of considering their functions may have in some cases its practical utility; for instance, taxes must be paid in exchangeable values; but when the inquiry concerns international relations, or the entire interests of a country, this point of view is deceptive, and leads to a series of mistakes, and to a train of narrow ideas.*

* Much has been said upon the subject of productive and unproductive labor. This distinction originated with the physiocrats, who, not understanding that production consists in changing the form or the place of things so as to give them a value which they had not before, and not of making something out of nothing, decided, very gratuitously, that agricultural labor was the only productive labor; it was adopted by Adam Smith, who extended the character of productive to all labors giving value to the material objects on which they are exercised, but has refused it to all others, without overlooking, however, the merit of these others. At the present time this distinction is unanimously rejected, and it is admitted that every useful labor is productive. (See upon this subject particularly, the chapter upon the consumption of wealth in the Principles of Political Economy, by McCulloch.)

Nevertheless, it may be questioned whether, in an economical point of view, every useful labor, whatever it be, ought to be regarded as productive. The solution of this question depends, more or less, on the extent to be

The property of a nation does not depend, as Say thinks, on the quantity of riches and of exchangeable values it possesses, but upon the degree in which the productive power is developed.

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given to the domain of the science. Certain minds, and Malthus among them, were of this opinion, thinking that the proper object of political economy was wealth, material wealth, and that the production of immaterial things, to which the term riches has been applied by metaphor, belongs to another order of studies; they remark that even the term political economy awakens habitually in the mind the idea of material interests, and that those authors who have most enlarged the horizon of the science have scarcely treated of anything else. They say that, in an economical point of view, magistrates, public officers, savants, poets, advocates, physicians, in fact all producers of those moral benefits without which we cannot conceive of civilization, are, properly speaking, only *indirect producers*. In thus naming them, they do not wish to be understood as undervaluing their services, which are frequently not only superior in their object to those of direct producers, but sometimes concur in the production of wealth, even more powerfully than the rarest efforts of industrial genius: they endeavor only to describe the kind of concurrence which they lend to material production.

In qualifying indirect producers as *producers of productive forces*, List places himself at the same point of view: it may be that he succeeds better in exhibiting their social and economical importance, and that he indicates better the relations which connect the material with the moral world. — [H. R.]

The fact that moral considerations are expressly excluded from the science of political economy, as taught by the School of Say, explains at once the cause of this discussion between productive and unproductive labor, and many other like distinctions and propositions in that system. How a science of wealth could ever have been constructed apart from all moral considerations, that is, apart from whatever may concern human well-being, and that such a science should have been received and taught in the public institutions of a Christian country, will one day be regarded as the chief intellectual and moral phenomenon of our age. Wealth, which can have no possible value or importance, except as a means of human welfare or pleasure, is attempted to be considered apart from any other considerations of humanity, except the intellectual or physical powers which concur in its production. Then, too, the abstract powers which govern the distribution of wealth, are *demand and supply*, not by any means the demand which springs strictly from the actual wants of a whole population, nor the supply which would meet those wants, but the *demand and supply* of trade, free trade, governed as they are, very strictly, by merely commercial calculations

If laws and institutions do not produce values directly, they produce at least productive power; and Say is mistaken when he asserts that people have grown rich under all forms of government, and that laws cannot create riches.

The external trade of a nation must not be appreciated as that of a merchant, exclusively according to the theory of values, that is to say, upon the sole consideration of the material profits of the moment: the nation must in one view embrace the whole of the interests on which its existence or welfare, its property, its power, present and future, depends.

A nation ought to make the sacrifice and bear the privation of material riches, to acquire intellectual or social power; it must sacrifice present advantages to secure future benefits. We think it has been historically proved, that manufacturing industry, developed in all its branches, is the characteristic of a high degree of civilization, material prosperity, and political power; if it is true, as we believe can be demonstrated, that in the actual state of the world, an infant industry, deprived of

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of loss and gain,—of buying cheap and selling dear. That the constructors of such a science should frequently have been embarrassed in their speculations, is not surprising. Its whole success is due to the logical power and clearness with which it was developed by Say. To have attained clearness and intelligibility was certainly great progress upon a subject before then regarded as misty above all others. But the disciples of Say have lost ground by permitting the subject to be opened for debate upon special topics; they should have said, it is finished, and shut the doors against all discussion. This would have saved the School much trouble, but could not finally have saved the science. For there remained a resource to the opponents of this System which, in legal language, is called a demurrer, the effect of which is to admit all statements and distinctions in their detail, and to deny their effect as a whole. So, whatever may be said of the parts and parcels of Say's System, it may and must be rejected as a whole; because it is founded on a separation of things which are, in their nature, inseparable. Wealth and trade can never, in a truly philosophical or scientific system of political or social economy, be separated from men and morals, and human well-being. It must be, and should be, impossible to decide rightly, innumerable questions which arise in the production and distribution of wealth, without invoking considerations of morality and humanity, if not of patriotism and religion. — [S. C.]

protection, is not able to sustain the competition of an industry long established, of an industry protected upon its own territory; how, with arguments borrowed from the theory of values, can any one undertake to prove that a nation, like an individual, must buy the goods it wants in the cheapest market; that they must be insane who manufacture what can be purchased elsewhere at a lower price; that the industry of a country must be left to the unaided and unsupported intelligence and enterprise of private individuals, that protecting duties are monopolies granted to manufacturers at the expense of the people at large?

It is true that protective duties enhance at first the price of manufactured products; but it is equally true, as is admitted by the School itself, that in course of time, in a nation capable of large industrial development, such articles can be produced at a cheaper rate than they can be imported from abroad. If then, protecting duties at first involve some sacrifice of values, this sacrifice is amply compensated by the acquisition of a productive power, which ensures not only a larger product of wealth in future, but also a greater industrial independence in case of war or adverse commercial regulations. With industrial independence and the prosperity which flows from it, a nation acquires the means of carrying on external trade and of extending its navigation; it elevates its civilization, improves its institutions at home, and increases its power abroad.

A nation which has a vocation for manufacturing, pursues, in resorting to protective duties, the same policy as the individual who builds a factory, or plants an orchard, or prepares a farm that his children may reap the benefit and have their living from that which is in the first instance a sacrifice on the part of the kind parent.

The opinion of J. B. Say upon premiums given for the purpose of encouraging the export trade, shows how far the School has been misled in appreciating, by the theory of values, relations which must be chiefly regarded and considered under the light of the theory of productive power; he maintains that such premiums are gifts made by the country from which the goods are exported to the country by which the goods are imported.

Suppose then that France considers a duty of twenty-five per cent. adequate to protect her manufactures, still in their infancy, but that England allows premiums of export equal to thirty per cent., what would be the effect of such a gift to France? For a few years French consumers might purchase at a cheaper rate than formerly the manufactured articles which they required, but the French manufacturers would be ruined, millions of men would be reduced to beggary or be compelled either to emigrate or devote themselves to agriculture. In the most favorable hypothesis the consumers dependent hitherto on French farmers would become their competitors, agricultural production would increase at the very time when consumption was diminishing. Hence an inevitable depreciation of agricultural products and property in France, the country itself becoming more feeble and impoverished in proportion. England's gift in value would be dearly paid for in productive power; it would be equivalent to the gift which the Sultan makes to his Pashas when he sends them a silken cord with which to hang themselves.

Since the time when the Trojans received the present of a wooden horse from the Greeks, it should be deemed a delicate affair for one nation to receive presents from another. England has presented the continent with gifts of enormous value, under the form of subsidies; the continental nations have paid dearly for them, in the loss of power. These subsidies have operated as premiums of export in favor of English manufactures, to the detriment of German manufactures. If England were willing to supply Germany gratuitously for several years with all the manufactured articles the people need, we should not advise the acceptance of such an offer. Suppose that England has become able by new inventions to manufacture linen forty per cent. cheaper than Germany by the old process, and that she is in advance of Germany several years in these new processes; one of the most important and the most ancient branches of industry in that country would be ruined for want of a protective duty; it would be just as if Germany had lost one of her members. But who would console himself for the loss of an arm, by the fact that he could purchase his shirt forty per cent. cheaper?

The English often appear in the attitude of making gifts to foreigners; the mode varies, and it even happens not unfrequently that they are unwillingly generous; those for whom these bounties are intended, ought, however, to ask themselves whether they are likely to be safe or advantageous. Possessing the manufacturing and commercial monopoly of the world, their manufactures are often in the condition which is designated by the term *glut*, the result of over-production or over-trading. This surplus, so injurious to the home market, is promptly committed to the holds of steamers for foreign shores; in a week, these goods reach Hamburg, Berlin, and Frankfort; in two weeks, they are at New York, offered to foreign consumers at perhaps fifty per cent. below their value. English manufacturers suffer by this temporarily, but their productive power is saved, and they find opportunities of indemnifying themselves afterwards by better prices. German and American manufacturers suffer by the faults or are ruined for the benefit of those of England. English people see the flash, hear the report, but the explosion and the disaster are elsewhere, and when those upon whom the evil has fallen complain of their injuries, the mischief is declared by merchants to have been caused by a conjuncture or revulsion of trade. When we recall to mind how often by such conjunctures the entire interest of manufacturing industry, the credit system, agriculture itself, in a word, the whole economy of nations admitting free competition with England, has been disturbed and shaken to its foundations; when we recollect that afterwards these same nations have largely remunerated the English manufacturers by paying them higher prices, may we not doubt whether this theory of values and these cosmopolite maxims should serve as rules for international commerce? The School has not deemed it expedient to explain the causes and the effects of these crises or commercial conjunctures.

The great statesmen of modern times have almost without exception comprehended the vast influence of manufactures upon the wealth, civilization, and power of nations, and the necessity of protecting them; Edward III. and Elizabeth, Frederick the Great, and Joseph II., Washington and Napoleon. Without

sounding the depths of theory, their intelligent glance revealed to them the importance of manufacturing industry; and they decided wisely. It was reserved for the physiocrats, astray in their premises and reasoning, to arrive at a different conclusion. The fantastic edifice of that School has vanished; the present School supplanted its predecessor without escaping, however, its fundamental errors, deviating, in fact, but slightly from its mistaken doctrines. Having made no distinction between productive power and exchangeable value, and having made the former subordinate to the latter instead of studying them separately, it could not understand the difference between agricultural productive power and manufacturing productive power. It failed to discover that manufacturing industry on being established in an agricultural country employs and makes available a mass of the power of mind and of body, of natural and mechanical forces, or Capital, in the terminology of the School, hitherto inactive, and which without that industry, would never have been productive. The School imagines that the introduction of manufacturing industry is an abstraction of power from agriculture to give it to manufactures, whilst, in fact, a power almost entirely new has been created, a power which, very far from having been acquired at the expense of agriculture, becomes its chief support and promotes its highest success.*

* Although commerce or international free trade is the great balance-wheel of the system of the School of Say, yet both he and his disciples have shown themselves extremely deficient in commercial knowledge. They appear to think there is a regularity in the movements of foreign trade like that in a well-regulated counting-house, which is controlled by the power of one man. There is scarcely any human business more variable than foreign trade. It fluctuates with the weather, with the state of the crops, with the spirit of speculation, with commercial revulsions, happen where they may; prices, supply and demand, all fluctuate from causes innumerable, and often unappreciable. Yet by this School the industry of every country, the welfare and the daily bread of the masses in every country are made subject to all the chances and changes of foreign trade, which is as uncertain as the winds and waves, and under little more control of one nation or many.

It is not the quantity of goods which a nation can manufacture, nor the quantity it exports, that is of the most concern to it, but the quantity which

CHAPTER III.

NATIONAL DIVISION OF LABOR, AND THE ASSOCIATION OF THE PRODUCTIVE FORCES OF A COUNTRY.

THE School is indebted to its illustrious founder for the discovery of that natural law, which it calls the "division of labor," but neither Adam Smith, nor any of his successors, have perceived the full scope of that law, nor pursued it to its most important consequences.

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the people of the country can afford to consume, that is the real index of wealth and prosperity. A nation may manufacture and export on an immense scale, and be growing poorer every year. It is of much more consequence that the industry of a country should contribute largely and fully to the necessary comforts and luxuries of life of the whole people, than that the few, very few men engaged in foreign trade, should make large profits, even if to these few merchants be added a few manufacturers who employ large numbers of laborers. A nation may manufacture cheap goods for the world, and the whole burden of this cheapness, and the risks of selling on credit in all markets, may be saddled upon the working population; and such is the tendency of free trade, because every effort is to increase trade, and not to promote specially the well-being of the people who live by their labor. It is coolly assumed that, if trade and merchants prosper, all must go right with the population.

It is assumed too, in the face of facts, that cheap goods must be an immense advantage to a people, overlooking the more important consideration, the ability of the people to purchase. If cheap goods must be paid for in money which people have not, and dear goods can be purchased with products of their farms and shops which they have, then they cannot purchase the cheap goods at all, but can supply themselves bountifully with the dear goods. If two merchants commence retailing goods in a country town, and one sells cheap for money, and the other adds twenty or even fifty per cent. more to his prices, but receives in payment every kind of country product, for which the people otherwise have individually no market, but for which the merchant could find consumers among the manufacturers from whom he purchased his goods, the cheaper goods would remain unsold, while the dear goods would be on the backs and in the houses of the consumers. This illustrates, in part, the difference between domestic and foreign trade. The latter is limited by the quantity and kind of products which foreigners take from us; the former has no limit but the wants and powers of produc-

The very expression, "division of labor," is inadequate, and necessarily gives a false, or at least an incomplete, idea.

There is a division of labor when, in the same day, a savage hunts, fishes, cuts wood, repairs his hut, makes arrows, nets and clothing. But there is also a division of labor in the case quoted by Adam Smith, when ten persons divide among themselves the various operations necessary to the manufacture of a pin. The former is an objective division, the latter a subjective division; the latter is favorable to production, the former prejudicial. The essential difference between them is, that in the one case a single person divides his labor to produce different objects, and in the other several persons divide among themselves, or unite in, the production of a single object. The two facts might just as well be designated by the term, association of labor; the savage unites in his person different labors, and

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tion of those who carry it on. There are a vast number of agricultural products so bulky as to be wholly precluded from the list of goods that can be exported, and which every nation must produce for themselves. These, however, are indispensable articles of consumption, and their production is indispensable to good farming. Where these valuable products find a market at home, as they do in a manufacturing country, and the vicinity of cities, lands quadruple their value, farmers grow rich, and the people are comfortable. The prices at which such exchanges are made are of less importance than the fact that the people are supplied. The result is, that potatoes, turnips, parsnips, beets, cabbage, fruit, poultry, veal, mutton, cheese, and butter, are transformed by home-industry and home-trade, into iron, steel, hardware, linen, cotton, woollen, and silk goods, into every article of wearing apparel, into every luxury and comfort which can be brought within the reach of a whole population.

It is not cheap goods merely which a government must aim to bring to its people, but enough goods: it is not the low price, but the ample supply, that proves the wisdom of public policy.

Cheapness will always be the individual rule, for the individual can change his policy according to the circumstances or humor of the hour; but the nation must pursue a more steady and safe policy for its millions. If all the nations were to betake themselves to Great Britain for cotton goods, and linen goods, for iron, and steel, and hardware, and other things produced cheaper there than elsewhere, then all these cheap articles would become dear, and remain dear as long as the dependence upon that market continued. — [S. C.]

in the fabrication of a pin several persons unite their labor upon one object.

That natural law, by means of which the School explains these important phenomena in the economy of society, does not evidently consist in a simple division of labor; it is a division among several individuals of diverse operations in a certain industry; it is at the same time, a combination or an association of enterprise, intelligence, and diverse forces, in view of a common production. The productive power of these operations belongs not merely to *division*, it essentially depends upon *association*. Adam Smith himself understood this; he says, that the objects necessary to the life of the most humble member of society are the product of joint labor, and the co-operation of a multitude of individuals.* It is to be regretted that he did not pursue this idea of joint labor, so clearly announced.

We pause upon this example of a pin manufactory, proposed by Adam Smith, as an explanation of the advantages of division of labor; and if we investigate the causes of the fact, that ten persons produce many more pins united in one

* The idea of the concurrence or co-operation of various forces, is doubtless implied in the law discovered by Adam Smith; and McCulloch, among other economists, puts the proposition in this shape: "*division and combination of employment.*" But it cannot be disputed that List has the merit of having disentangled the subject, and of having presented it with more clearness and intelligence, and with richer developments.

J. Stuart Mill, in his excellent *Principles of Political Economy*, uses the words *co-operation or combination of labor;* he attributes to his fellow-countryman, Wakefield, the honor of having first shown, in a note to an edition of Adam Smith, that co-operation is a more important principle than division, and of having distinguished two kinds of co-operation, simple and complex, according as many persons unite in the same labor, or in many different labors. This distinction was made at the same time by different persons in England and Germany.

The effects of a good *national* division of labor, or of the harmony of the productive forces within a nation, have never before been sketched as they are in this beautiful chapter of List. As to the division of labor throughout the world, that has been better studied, because on it has been founded one of the chief arguments for free trade. List appears to me, however, to place it in a clearer light than has ever been shed on it before. — [H. R.]

manufacture, than if each one worked separately, we shall find that a division of the operations, without the association of productive powers for a common end, would be very little help in the production. That a favorable result may be obtained, it is necessary that the different individuals be united and co-operate in the work intellectually and bodily. He who makes the heads of pins must count upon the labors of him who makes the points, so that he may not lose his labor by manufacturing heads which would be useless. A suitable proportion ought to be preserved in the different branches; the workmen ought to be arranged in proper proximity to secure the utmost advantage from their co-operation, and this arrangement should be secured to the laborers. Suppose, for instance, that each one of ten workmen lived in a different country; how often would their co-operation be interrupted, by wars, by difficulty of transportation, commercial revulsions, etc.? How much would the product, thus enhanced in price, and by consequence the benefit of the division of operations, be diminished? Would not the withdrawal of a single workman from the association bring to a stop the labor of all the rest?

By designating the division of operations as the essential characteristic of this natural law, the School has erred in confining it to a manufacture, or to the working of a farm; it should have perceived that the same law extends over the whole of manufacturing and agricultural industry, and generally over the whole economy of a nation.

As the manufacture of pins can prosper only by the combination of the productive power of individuals, every manufacture, of whatever kind,* can flourish only by the combination

* The manufacture of machinery furnishes in aid of this idea a very striking illustration. The construction of machines can never attain a high degree of perfection, where one shop is obliged to manufacture a great variety of machines. To attain excellence, each establishment should apply itself to the construction of a small number of kindred machines or instruments, that these may be made at as low a price and as perfect as possible; for instance, one may manufacture machinery for cotton and woollen factories; another may make steam-engines, &c. For only in this way can the constructor afford to provide himself with such perfect tools

of its productive power with those of all other manufactures. To make a manufactory of machinery prosperous, it is necessary that mines and metallic works furnish the material which it uses, and that hundreds of manufactories employ or use the machinery it manufactures. Without shops for the construction of machines, a nation in time of war would be in danger of losing the greatest part of its manufacturing power. Manufacturing industry and agriculture, being regarded as a whole, prosper in the proportion of their proximity, and in proportion as they are less disturbed in the reciprocal influence which they exercise upon each other. The advantages of their association under one political authority are, in case of war, of national quarrels, bad crops, etc., not less striking than those of the union under one roof of workmen employed in a pin manufactory.

Smith maintains that the division of labor is less applicable to agriculture than to manufacturing industry: he has, however, in his view, but one manufactory, or but a single farm. He failed to extend his principle to entire districts or to whole provinces. In no place has the division of labor and the combination of productive power more influence than when each region, each province, is able to devote itself exclusively, or at least chiefly, to any special branch of agricultural production for which it is particularly fitted by nature. In one place, wheat and hops succeed specially; in another, wine and fruit;

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and apparatus as will enable him to turn off good and cheap machines with the latest improvements, and employ at moderate wages the most skilful workmen and the best artists. The want of this division of labor explains why, in Germany, the machine-shops have not attained the perfection of those of England. But the reason why this division of labor is not yet established in Germany, is because the different kinds of spinning which would create a demand for the various machines are not yet introduced there. The importation of cotton-yarn, then, prevents the manufacture of machinery for spinning cotton—it stops the manufactory of factories.

The division of labor is not less important in other branches of manufacturing industry. Spinning, weaving, and printing upon cotton, woollen, or silk goods, for instance, cannot attain a high degree of perfection, and at cheap rates, except where the demand is sufficient to enable every manufactory to confine itself exclusively to the production of one kind of thread, cloths, or prints.

in another, timber and pasturage for cattle. If each region pursues the same course of cultivation at the same time, it is evident that both labor and soil must be much less productive than if each make its chief crop that for which it is best suited by nature, exchanging severally the surplus of their special production for the surplus of others having like natural advantages for the production of food or some special raw material. This division of labor, this combination of the productive power employed in agriculture, can only be realized in a country which has reached a high degree of development in all branches of industry, for there only can a strong demand exist for the very various products of agriculture; there only can a demand for the surplus products of agriculture be so certain and so considerable as to ensure the producer a market at a suitable price during the year, or at least, during the following year, for the whole surplus of his production; in such a country only can sufficient capital be devoted to dealing in and providing proper storage for the products of the soil, such improved means of transportation, canals, railroads, lines of steamers, well-kept highways as are indispensable for the conveyance of agricultural and other bulky products. It is solely by the aid of a good system of communications that provinces near, as well as remote, can effect an exchange of the surplus of their respective productions. When each province produces all it consumes, there are few occasions of exchange, and consequently no want of expensive communications.

Let it be noted that the increase of productive power consequent upon division of labor, and upon the combination of individual power, begins in the private manufactory, and extends, finally, even to national associations; manufacturing industry prospers in proportion as its labor is more divided, as its laborers are more closely united, and as the co-operation of the whole is better secured. The productive power of each manufactory is greater in proportion as the whole manufacturing industry of the country is more developed in its ramifications, and as it is itself more strictly connected with the other branches of manufacture. Agricultural power is productive likewise in proportion

as agriculture is more strictly united by relations at once local, commercial, and political, with a manufacturing industry complete in its various branches. In proportion as general industry is developed, the separation of the labor of agriculture, and the combination of its productive powers, take the proper form and arrangement, and by these advantages it is carried to its highest degree of perfection. The richest nation being that which possesses the greatest productive power, will be of course that which, upon its own territory, has carried its manufactures of every kind to the highest degree of productiveness, and the agriculture of which furnishes its population of manufacturers with the chief part of the food and raw materials requisite for their wants and business.

Let us now change the argument. A nation pursuing only agriculture and a few of the more necessary mechanical arts, is without the first and principal division of labor among its citizens, and loses the most important half of its productive power; it even wants that division of labor which is so needful in the operations of special branches of agriculture. A nation with an industry so incomplete is less productive by half, than one of well-arranged industry; with a territory of equal extent, or of even much greater extent, with an equal, or even greater, population, its productive power will yield perhaps scarcely a fifth, or even a tenth part of the material wealth which a country of well-adjusted industry can produce, and that for the same reason that in a complicated manufacture ten persons can produce not only ten times more, but perhaps thirty times more than *one* alone, just as the labor of a man who has but *one* arm will not merely be one-half less, but perhaps an hundred-fold less than that of the man who has *two* arms.

This loss of productive power must be the more sensibly felt as machinery is better adapted to aid manufacturing labor, and less applicable to agricultural labor. A part of the productive power thus lost by an agricultural people will go to the profit of the nation from which they derive manufactured articles in exchange for their crude products. Beyond this, however, there will be no further loss until the agricultural nation shall have

reached that degree of civilization and political development necessary for the establishment of manufacturing industry. If it has not yet reached that degree, if it is still in a state of barbarism, or semi-civilization, if its rural economy has not advanced beyond its primitive simplicity, the importation of articles of foreign manufacture, and the exportation of its crude products, cannot but sensibly increase each year its prosperity, as well as awaken and increase its intellectual and social power. If that commerce is not interrupted either by foreign prohibition of raw materials or by war; or if the territory of this merely agricultural country is situated in the torrid zone, the advantage will be equal and considerable on both sides, and that according to the nature of things; for under the influence of such exchange such a nation may make greater advances and with greater security, than if entirely left to itself. But when an agricultural nation has reached the highest point of its rural development, that is, as far as the aid of foreign trade can carry it, or if manufacturing nations decline receiving the productions of its soil, in payment for manufactured articles, or if the active competition of manufacturing people in the markets of an agricultural nation, should prove an obstacle to the growth of manufactures, then the agriculture of the latter is exposed to the risk of being seriously checked.

We regard agriculture as seriously checked, when, for want of manufacturing consumers, or a home market, all the surplus of the growing population is devoted to agriculture, consuming the whole agricultural product, emigrating at the age of manhood, or dividing the land among the existing cultivators until the share of each family becomes so small as scarcely to yield sustenance for the occupants, let alone any surplus for foreign trade. Under a well-devised development of productive forces, the largest portion of the increase of the population, as soon as they reach a certain degree of culture, betake themselves to the manufactories; the surplus of agricultural production goes, on the one hand, to supply the manufacturing population with food and raw materials, and on the other, enables the agriculturists not only to buy manufactured products, but the machines and

implements which improved farming and the increased demand for its products requires.

If these relations are established at the right time, the productive forces, agricultural and manufacturing, aid each other, and permit an indefinite increase. The demand for agricultural products on the part of the manufacturing population will become very great, but agriculture will only employ so many laborers and the soil will only be subdivided so far as may be necessary to obtain the largest possible product. The surplus of this production will be the measure of the ability of the cultivators to consume the goods of the manufacturer. A progressive increase of this surplus will increase the demand for manufacturing labor. The agricultural population will continue to find vent for its increase in the manufactories, and the population of the manufactories will finally equal, if not surpass that of the fields. Such is the case in England; the contrary has occurred in a part of France and Germany. It was chiefly the rearing of sheep and the manufacture of woollens, entered into by England on a large scale long before other countries, which conducted that people to the natural division of labor between the various branches of industry. In other countries, agriculture had been checked chiefly under the influence of the feudal system and the law of the strongest. Property in the soil gave consideration and power only so far as it served for the support of a certain number of vassals, whom the feudal chief employed in his quarrels. The more vassals he had, the more soldiers. In that barbarous period, the proprietor could not consume his rents otherwise than by maintaining a large number of servants; he could not pay them or attach them more to his person than by giving them land to cultivate under the condition of a personal service, and of a small rent in kind. Thus an exaggerated division of the soil was artificially produced; and when, in our time, the public authority endeavors to restrain this subdivision by means equally artificial, it merely attempts to re-establish the natural order of things.

To arrest the injury to agriculture of a nation, arising from the vicious institutions of olden time, the best method, inde-

pendently of the encouragement given to emigration, is the establishment of manufacturing industry. Then, by degrees, the increase of population will be absorbed by the manufactories, and an increased demand for agricultural products will be created; then farming on an extended scale becomes profitable, and the cultivators are stimulated to draw from their lands the largest possible return for their labor and skill.

The productive power of the farmer, as well as of his laborer, will always be more or less great in proportion as the exchange of agricultural products for manufactured articles shall be more or less easy. In this regard, foreign trade is useful for a nation somewhat advanced, as has been shown, in a former chapter, in the case of England. But a nation moderately civilized, rich and populous, finds in the existence of domestic manufactures, more advantages for its agriculture than in the most prosperous foreign trade without manufactures. By domestic industry alone can a nation protect itself against the fluctuations which war, foreign restrictions or commercial revulsions produce; by it is saved the chief part of the burden of freight and commercial profits which the export of raw materials and the import of manufactured goods involve; from the improved communications which manufacturing industry calls into existence, it derives the immense advantage of awakening into activity a vast amount of personal and natural power hitherto dormant; finally, the reciprocal action of manufacturing industry and agriculture upon each other is great in proportion as the farmer and manufacturer are in proximity to each other, and as their exchanges are less exposed to accidental interruptions.

In the letters which I addressed in 1828 to Charles J. Ingersoll, President of the Society for the Encouragement of the Fine Arts and Domestic Industry in Philadelphia—*Outlines of a New System of Political Economy*—I attempted, in the following words, to show the advantages of the union of manufacturing industry and agriculture in the same territory and under the same political authority:

"Suppose that you were ignorant of the art of converting grain into flour—and in its time it must have been regarded as

a great art; suppose further that the art of baking bread was unknown in the United States, as the proper processes of salting herring were unknown in England until the seventeenth century; suppose in consequence, that you were obliged to send your wheat to England to be converted into flour and bread, what quantity of your flour would England keep as the price of grinding and baking? How much of it would be consumed in the cost of carting, shipping, and by the merchants employed in exporting the grain and importing the bread! What proportion would return to the hands of him who gathered the crop? It cannot be doubted that such a process would cause great activity in the channels of foreign commerce; but it can scarcely be pretended that such a business could be favorable to the prosperity and the independence of a country. In case of war between Great Britain and the United States, what would be the condition of those who produce grain for British mills and bakeries, and what the condition of those who relied upon England for bread? It is then clearly the interest of the grower of wheat that he should have easy access to the miller, as it is the interest of agriculture in general that the manufacturer should dwell in the vicinity of the farmer, as it is the interest of a valley that a rich and prosperous town should grow up in it; and of the entire agriculture of a country that a great and prosperous manufacturing industry should be developed within it."

Compare, for instance, the state of agriculture in the vicinity of a populous city with that in remote districts.

The latter is applied only to commodities which bear distant carriage, and which cannot be had in the market for which they are destined at a lower price and of better quality from lands near the market. A considerable portion of the proceeds of sale is absorbed in expenses of transport. The capital expended in reproduction of a crop is with difficulty replaced by any disposition which can be made of it. For want of good models and suitable instruction, the new processes, new implements, the improved modes of culture scarcely ever reach remote places. The laborers themselves, for want of stimulants

and emulation, develop but feebly their productive power, and abandon themselves readily to inaction and carelessness.

In the neighborhood of a city, on the contrary, the cultivator is able to devote every field of his farm to the culture most appropriate to the nature of the soil, and the whole to that rotation most advantageous. He can cultivate with profit the utmost variety of products; vegetables, poultry, eggs, milk, butter, fruit, and other articles, which the farmer, remote from market, regards as insignificant incidents of his calling, yield to the labor of the former a large return. Whilst the remote farmer is reduced to the mere rearing of cattle, the other is continually adding, not only to the fertility of his land, but is making larger and continually-increasing profits: he is thus encouraged not only to learn, but to enter upon the most improved modes of agriculture. A multitude of objects, of little or no value to the remote farmer, such as stones, sand, water-power, become of immense value to him who is in the vicinity of a large city or a populous manufacturing district. Machines and implements of husbandry of the best kind, with ample instructions as to the best means of employing them, are ever at his disposal. He obtains readily the needful capital to improve his land. Proprietors and laborers are alike stimulated by the enjoyments which the city offers, and which industry places within their reach, by the emulation which it originates, by the facility which larger profits afford to employ in the amelioration of their condition the whole of their intellectual and physical powers.*

* We subjoin an extract from an American journal, which exhibits in a striking form the value to the agriculturist of a near market. It must be very obvious to any one who will take the trouble to reflect, that many of the products of the farm are, from their nature or their bulk, susceptible of transportation only short distances, except so far as that is modified by railroad or canal transportation; and that also must have its limit. There is a work on agriculture in German, by Thunen, which is devoted to showing what the agriculture of a district or a farm should be, with reference to its distance from market. It abounds in useful details, clearly showing the increased value of that land which has consumers for its heavier products close at hand. This volume of Thunen is more important for its

The same difference with similar results exists between a nation on the one hand, which unites upon its own territory agriculture and manufacturing industry, and one which, on the other, exchanges its agricultural products for articles of foreign manufacture.

The social economy of a nation in general must be appreciated according to the principle of the division of labor and of the combination of productive powers. Public prosperity, in the association which we call a nation, may be compared to the manufacture of pins. To ensure it the largest scope and success requires the combination of many different productive powers in close proximity and under one regular administration. The main division of labor in the nation is that of intellectual labor and material labor. These are strictly dependent upon each

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reference to political economy, than very many professedly devoted to the subject.

"If a ton of corn is worth $24.75, and one of wheat $49.40, in the market, the following would be their respective values at the several distances from market mentioned, by railroads and ordinary roads:

	Railroad.		Ordinary Road.	
	Wheat.	Corn.	Wheat.	Corn.
At market.	$49.50	$24.75	$40.50	$24.75
10 miles,	49.25	24.60	48.00	23.20
50 "	48.75	24.00	42.00	17.25
100 "	48.00	23.25	34.50	9.75
150 "	47.25	22.50	27.00	2.25
160 "	47.10	22.35	25.50	0.75
170 "	46.95	22.10	24.00	0.00
200 "	46.50	21.75	19.50	0.00
300 "	45.00	20.25	4.40	0.00
320 "	44.70	19.95	1.50	0.00
330 "	44.55	18.80	0.00	0.00

"It is thus made evident that a ton of corn, if carried 170 miles to market by the ordinary means of transporting by wagon, will not produce one cent more than it has actually cost the grower—its *whole value* being absorbed by its conveyance to market; while, if transported the same distance by railroad, the nett proceeds of its sale would be more than $22. The transportation of a ton of wheat, by the same calculation, would exhaust its value at the distance of 330 miles, if made in a wagon, while by the railroad it would be worth more than $44 beyond the cost of getting it to market."

other. The more successfully the intellectual division extends and developes morality, religious sentiment, knowledge, liberty, and good government, the safety of persons and property at home, and the independence and power of the nation abroad, the larger will be the material production, the greater the sum of national wealth produced, and the greater, too, will be the progress and energy of the intellectual power.

The highest division of labor, the highest combination of powers in material production, is that of agriculture and manufacturing industry. It has been already shown that these two industries, properly regarded, make but one entire interest.

In a nation, as in a pin manufactory, the productive power of each individual, of each branch of industry, depends upon an exact proportion in the activity of all the departments with regard to each other. This is what we call the equilibrium, or harmony of productive powers. A country may have too many philosophers, philologists, and literary men, and not enough workmen, artists, merchants, and seamen. This overstock of literary culture is demanded neither by manufacturing industry, however advanced, nor by a vast home and foreign trade; it is just as if in a pin manufactory more heads were made than points. A similar excess to that of the pin-heads may consist in a multitude of useless books, of subtle systems, and of learned controversies, which spread darkness over a nation, rather than light, divert its attention from useful occupations, and consequently hinder the development of its productive power, almost as much in the same way as too many priests and not enough teachers, too many soldiers and not enough statesmen, too many executive officers and not enough judges and lawyers.

A nation exclusively devoted to agriculture is like an individual carrying on his material production with the privation of an arm. Commerce is but an agent between agriculture and manufacturing industry, and between their particular branches. A nation exchanging its agricultural products for articles of foreign manufacture is like an individual with but one arm who invokes the assistance of a foreign arm for his support. Such assistance may be useful for him, but cannot supply the place

of the missing arm, for the very good reason that its motions are wholly subject to the caprice of a foreign head. A nation possessing its own manufacturing industry can produce as much food and raw material as its own manufactures can consume; a country depending on foreign manufactures can produce only such products for export as foreign nations cannot produce themselves, and such as they are compelled to purchase from abroad.

Division of labor and association of productive powers exist also between the different nations of the world, just as between the various parts of a country. Instead of an interior or national commerce, it is international commerce which serves as the intermediate agency. But international association of productive powers is very imperfect, being frequently interrupted by wars, by restrictions, commercial revulsions, etc. Though it may in some aspects claim the highest dignity, as it connects together the different nations of the world, yet if regard be had to the particular prosperity of nations already advanced in civilization, international association and commerce are of far the least importance, and this is what the school concedes in the maxim that the interior trade of a nation is incomparably more important than its foreign trade. It follows thence that it is the policy of a great nation to make the national or internal association of productive powers the principal object of its study and its efforts, and to keep international association in a subordinate position as a secondary interest.

The international division of labor as well as the national division depends mainly on climate and nature. Tea cannot be produced in all countries, as it is in China; spices, as in Java; cotton, as in Louisiana; wheat, wool, fruit, manufactured articles, as in the countries of the temperate zone. It would be very unwise in a nation to attempt obtaining by national division of labor or by indigenous production, articles for which nature had not furnished the requisite power or facility, and which can be procured from climates more favorable to their production at a much cheaper rate and of better quality by means of foreign trade; but it would imply a want of intelligence and

enterprise if a nation should neglect or refuse to employ all its disposable powers in ministering to its own wants and in obtaining by its own industry such a surplus of production as will purchase all such commodities as nature refuses to its climate or soil.

The countries most favored by nature for both the national and international division of labor are obviously those, the soil of which produces articles of the first necessity, of the best quality, and at the least cost, and the climate of which most favors labor of mind and body; such are the countries of the temperate zone. In these, especially, manufacturing industry flourishes, and nations attain the highest degree of intellectual and social development and political power, though they remain in some degree tributary to tropical countries and to nations of a lower culture. The countries of the temperate zone are under obligations, above all others, to carry national or domestic division of labor to its highest degree of perfection, and only to resort to the international or foreign trade, for such augmentation of wealth and comfort as it is properly fitted to afford.

CHAPTER IV.

PRIVATE ECONOMY AND NATIONAL ECONOMY.

AIDED by history, we have proved that national unity is an essential condition of durable prosperity; we have shown that only where private interest has been subordinate to public interest, and where a succession of generations has pursued one object, have nations attained an harmonious development of their productive power, that without the collective labors of the individuals of not merely one generation, but even of successive generations, towards a common end, private industry cannot flourish. In the preceding chapter we have tried to show in what way the law of the association of power exercises a beneficent influence in a manufactory, and how it operates with the same energy upon the in-

dustry of entire nations. We shall exhibit in this chapter how the School has masked its ignorance of national interests and of the effects of the association of national productive forces, by confounding the maxims of private with those of public economy.

"What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom. . . . By pursuing his own interest, he promotes that of society. . . . What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman who should attempt to direct private people in what manner they ought to employ their capital would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it." *

Hence Adam Smith concludes that commercial restrictions, with the object of encouraging the industry of a country, are absurd; that a nation, like an individual, must purchase in the cheapest market; and that, in order to reach the highest point of public prosperity, it is only necessary to give heed to the maxim of "Let men alone, let things take their course." Smith and Say compare a nation which attempts to encourage its industry by the aid of protecting duties, to a tailor who would manufacture his own shoes, and to a shoemaker who would exact toll at his own door, for the purpose of increasing his wealth.

Thomas Cooper, in a book written against the American protective system,† carries that idea to an extreme, as he does other errors of the School. "Political economy," he says, "is nearly the same thing as the private economy of all individuals; *politics* are not an essential element of *political economy;* it is nonsense to make a distinction between human society and the

* Smith: Wealth of Nations, book iv., ch. ii.

† Lessons on Political Economy, by Thomas Cooper.

individuals of which it is composed. Every one knows perfectly well how to employ his own labor and capital. The wealth of society is nothing else than the agglomeration of the wealth of all the individuals, and if every one knows better than any one else his own interest, the richest nation must be that in which each individual is left most entirely to himself." *

The partizans of the American protective system had already replied to that argument, when advanced in favor of free trade by importing merchants, that the laws of navigation had given a vigorous impulse to the shipping interests of foreign trade and to the fisheries of the United States, and that millions were expended yearly upon the navy, merely to protect the shipping; that conformably to the theory, those laws and that expense were quite as reprehensible as protective duties. "After all," exclaims Cooper, "there is no maritime commerce worth a maritime war; let the merchants protect themselves!"

Thus, the School, which commenced by shutting its eyes to nationality and national interests, ends by questioning their existence, and proposing that individuals be left to their own defence.

How! the wisdom of private economy is then the wisdom of public economy! Is it in the nature of an individual to be preoccupied with the business and the wants of the future, as it is in the nature of a nation and of a government? Consider only the building of an American city; each man left to himself would think only of his own wants, or, at the utmost, of those of his immediate descendants; the mass of individuals as united in

* This argument is a perfectly good one for the entire dissolution of society. For if men can be entirely let alone on matters in which they are so deeply under temptation to impose upon their fellow-men, they may well be trusted in everything else. Offences against society and good morals, in our present social system, in matters of property, trade, and money, are vastly more numerous than any other offences; if all the barriers of this kind were removed, the rest would soon be broken down. Society, in fact, could not exist one day, if the system of *laissez faire laissez passer* were carried out to the extent of its logical demands. Nay, even if restricted to the phrase, "*All is fair in trade*," it would destroy society, and send men to take refuge in the savage state. What reason can be given why men should be let alone in trade more than in anything else? — [S. C.]

society are not unmindful of the interests and advantages even of the remotest coming generations; the living generation, with that view, submits calmly to privations and sacrifices which no sensible man could expect from individuals in reference to the interests of the present, or from any other motives than those of patriotism or national considerations. Moreover, can individuals engaged in their private affairs take into consideration the defence of the country, public security, and a thousand objects which can be attained only by society? Does not a nation wisely impose for that purpose restriction upon the liberty of individuals? Does it not demand the sacrifice of a portion of their income, of a part of their intellectual and bodily labor, nay, even of their lives? Before adopting such opinions, we must concur with Cooper, in effacing all notions of a state and of human association or society.

That may indeed be folly in private economy, which is wisdom in public economy, and reciprocally, for the simple reason, that a tailor is not a nation, and that a nation is not a tailor, that a family is quite another thing than an association of millions of families, and the house another thing than a vast territory.

If an individual knows and understands better than any one else his own interest, he does not always consult the interests of the nation in his unrestrained activity. Let us ask those who sit in the courts of justice, whether they do not frequently send men to compulsory labor for an excess of freedom in their individual industry? Robbers, thieves, smugglers and swindlers know perfectly well their own business, and devote themselves with vigilant attention to their own concerns as they understand them; but it does not follow thence, that society is prosperous in proportion as such individuals are less hindered in the pursuit of their private industry.

Innumerable are the instances in which public authority is compelled to restrain the power and inclinations of individuals in the pursuit of their private industry. It prohibits the slave trade to the owner of ships; it prescribes the mode of fitting up and provisioning steamers and other vessels, and enforces suitable maritime regulations for the protection of passengers and sailors,

that they may not be wholly left to the cruelty and cupidity of captains and owners. It is said to have been proposed in England, to make some changes in the construction of ships, an infernal league having been discovered between insurance companies and ship-owners by which thousands of human lives and millions in value would have been sacrificed yearly to the avarice of individuals. In the United States of North America, the miller is obliged by law to put not less than one hundred and ninety-six pounds of flour in a barrel; and there are inspectors as to quality and quantity in all markets, though in no other country is a higher estimate placed upon individual liberty. The public authorities are everywhere expected to secure the people against the danger and the injuries to which they are exposed, for instance, in the trade in provisions, and in the sale of drugs.

"But," the School replies, "the cases you cite are culpable attacks upon persons and property; such acts are not the honest trade which is employed upon useful objects; that is not the innocent and profitable action of individuals, which the Government has no right to restrain." This rule is undoubtedly sound, so long as this action is innocent and useful; but what is innocent and useful in the commerce of the world in general, may be injurious and dangerous in the commerce of a particular country, and reciprocally. In time of peace, and in the cosmopolite point of view, privateering is a hurtful employment; in time of war it is favored by governments. The premeditated immolation of a man is a crime in time of peace; it may be a duty in time of war. The trade in powder, lead and arms is permitted during peace, but he who during war sends such articles to the enemy is punished as a traitor.*

From similar considerations governments are not only author-

* It may be said these are all exceptional cases; but who is to draw the line where the exception is to end? Who is to be the judge of what is due to public safety or comfort, the interested individual or public authority? Who is to decide what is a public nuisance and what is not, the man who offends or the public which is offended? No sound reason can, we repeat it, be given, why men should be let alone in trade, any more than in anything else. — [S. C.]

ized, but bound by the interests of a nation to restrict or regulate employments harmless in themselves. The enactment of prohibitions and protective duties does not prescribe to individuals, as the School falsely maintains, the use which they are to make of their productive power and their capital. The government does not declare to one, You shall lay out your money in the building of a manufactory, or in the establishment of a business; nor does it declare to another, You shall be a ship-captain, or a civil engineer; it leaves to every one, within the limits of the public welfare, the liberty of making use of his capital as he thinks proper, and of selecting the profession he prefers. It only says: our country has an interest in manufacturing at home a particular article; but as free competition with foreign countries would prevent our success, we limit that competition, so far as may be necessary, to secure those among us who may be willing to embark their capital, or devote their physical and intellectual power, to that new branch of industry, from the loss of their capital, and from the waste of their labor, and to induce foreigners to come among us with their skill and productive power. So that government does not by this policy restrain private industry; it opens, on the contrary, a new and wider field of activity to personal and natural power as well as to the capital of a country. Far from doing anything which individuals could do better, the government does that which individuals cannot do at all, whatever their intelligence and enterprise, and however abundant their capital may be.*

* Society being an association for the best interests of all concerned, whatever be the form of government, the omission of the government to fulfil its duty, and do the good it might do, may be as injurious to the public interests as acts that are wrong or mistaken. The government might determine that a whole population, enjoying every possible facility and advantage for general industry, must remain agriculturists, and that individuals should have no chance or choice of any other employment, and enforce that determination very effectually by merely allowing other nations unrestrained access to its markets. By thus leaving the door open to the products of others' industry, individuals would be as positively debarred and prevented from engaging in hundreds of employments, as if these employments had been specifically forbidden by the legislature or public

The assertion of the School, that the protective system involves an illegitimate and anti-economical intervention of government in the investment of capital and in the occupations of individual industry, falls of itself, if we consider that for the most part *foreign* commercial regulations are the causes which provoke and make needful such interference with private industry, and that it is only by the aid of the protective system that

authority. What choice have men in Ireland of engaging in the numberless branches of industry which are open to capital and enterprise in England and Scotland? If the United States were resolved to adopt the *let alone* policy, they would not need to make any positive enactment, but simply to repeal all laws in regard to shipping, port-duties, and duties on merchandise; and the people might then starve down, as has occurred in Ireland, to what would be the proper population in that case. This negative protection is precisely that which suits the importer of foreign goods. To protect the manufacture of cottons and woollens, and iron, by two hundred per cent., would not favor those manufactures so much as the omission to protect them at all would favor the importers. For such a protection would soon beget a home industry producing articles at a cost, as has occurred even in the short duration of our protective duties, below the amount of the duty. But competition in importing is never so effective for the benefit of the public, because it tends to raise prices where the goods are purchased. Importation is more apt to be swayed by the power of capital, or by all the uncertainties and mischiefs of speculation and monopoly.

We say, then, that where industry and capital are to have a choice of pursuits, the government must provide an arena for the exhibition of industry, and protect it from intrusion, so long as may be necessary. And where more regard is paid to the interests of the millions who labor, than to the interests of foreign trade, this industry should continue to be protected from the revulsions and gluts of foreign markets, from the cheaper labor and the insufficiently paid laborers of foreign countries, and from all other foreign causes which might disturb the relations between the home laborer and his daily bread.

The School say that protective duties divert capital from its legitimate channels, and compel men to invest it in employments of which they would not otherwise think. It may be replied that the want of it compels men to invest it in commerce or agriculture, without any other choice. But foreign commerce, so far as it is pursued by residents of the country, is itself a creature of protection. No interest more requires the special care of the country; and not only care, but more public expenditure, than its shipping. — [S. C.]

we are able to avert the fatal effects of mistaken or unfriendly policy. When the English exclude our grain from their markets, do they not forbid our cultivators from sowing the wheat which under the regimen of free trade they would have sent to England? If their regulations impose upon our woollens, our wines, or our timber such high duties that our exports to England are almost wholly cut off, is not the British government thereby interfering with and restraining in a certain degree some branches of our industry? It is obvious that in such cases foreign legislation gives to *our* personal productive power a direction which it would not otherwise have assumed. It is obvious then, that if we neglect by our own legislation to give our own national industry a direction conformable to our interests, we cannot prevent foreigners from so regulating their own industry with a view to their real or supposed interests, as seriously to impair, if not to stop the development of our productive power. Which, then, is the more reasonable, which is the more advantageous public policy, — to leave our individual industry to the control of foreign legislation, or to regulate it ourselves in conformity with our own interests? Does the German or American cultivator imagine himself under less restraint when compelled to shape his business yearly by the course of British legislation, and to watch if he must extend or restrict his production of wheat or wool, as the acts of Parliament for the year indicate, than when foreign manufactured articles are less abundant, and when all his products are sure of a market which cannot be taken from him by foreign tariffs? *

* The School, using the term employed by the author, admits not, or admits no longer, however frequently it may have been asserted in its name, that protection constitutes an absolute and permanent monopoly in favor of manufacturers. Upon this subject, we copy a note of Ricardo, in the 22d chapter of his "*Principles of Political Economy and Taxation:*" —

"M. Say supposes the advantage of the manufacturers at home to be more than temporary. 'A government which absolutely prohibits the importation of certain foreign goods establishes a monopoly *in favor of those* who produce such commodities at home, *against those* who consume them; in other words, those at home who produce them having the exclusive privilege of selling them, may elevate their price above the natural price; and

When the School pretends that protecting duties ensure to the manufacturers of a country a monopoly at the cost of the

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the consumers at home, not being able to obtain them elsewhere, are obliged to purchase them at a higher price.' — Vol. i. p. 201.

"But how can they permanently support the market price of their goods above the natural price, when every one of their fellow-citizens is free to enter into the trade? They are guaranteed against foreign, but not against home competition. The real evil arising to the country from such monopolies, if they can be called by that name, lies, not in raising the market price of such goods, but in raising their real and natural price. By increasing the cost of production, a portion of the labor of the country is less productively employed."

Say had the candor to acknowledge his error. "Ricardo," says he, "appears to be in the right in disputing my position. In fact, when a government prohibits a foreign product, the profits made in the interior upon its production do not rise above the common rate of profits; for, if they were so raised, the producers of the interior would, by their competition in this particular production, bring them back to the ordinary level. I ought, then, in explaining my thought, to have said that I looked upon the natural rate of merchandise as being the lowest price at which it can be procured by way of commerce, or by any other industry. If commercial industry can furnish goods at a cheaper rate than manufactures, and if the government enforces their manufacture, it compels men to purchase them at a higher rate than they could obtain them for elsewhere."

In face of this opinion of Say, it appears appropriate to place the following opinion of Adam Smith: — "By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap, or cheaper, than in the foreign country. (McCulloch's Edition, Book IV., Chap. II., page 200.) — [H. R.]

McCulloch himself, in a note at page 201, reiterates this position:— "The advantage they derive from the monopoly is really very inconsiderable. Competition being always free among the home producers, the exclusion of any particular species of foreign manufactured goods cannot elevate the profits of those who produce similar articles at home above the common level, and merely attracts as much additional capital to that particular business as may be required to furnish an adequate supply of goods. It has never been contended that the businesses deepest entrenched behind ramparts of prohibitions and restrictions, are in any respect more lucrative than those that are exposed to the freest competition."

Here are three separate admissions by great masters in Political Economy, which are clearly not in keeping with their general system, and they are still less consistent with the opinions of free trade writers, orators, and

consumers of the country, they deal in sophistry, not in argument; for every individual in the country being at liberty to make the most of the home market thus secured to national industry, there is no private monopoly, there is merely a privilege granted to our own countrymen as against strangers, a privilege the more legitimate, as strangers enjoy or may enjoy the same in their own country. There is no absolute privilege, neither for the benefit of producers nor for the detriment of consumers; for if at the beginning producers demand high prices, the reason is that they have to encounter the great risks, the repeated losses, extraordinary sacrifices which always attend the establishment of a new manufacture. But against any undue exaggeration of profits, or unlimited duration of high prices, consumers have a guarantee in the home competition which is sure to follow, and which generally reduces prices lower than the rates under free foreign competition. If the agriculturists, who are the chief consumers of manufactures, pay higher prices for manufactured articles, they have ample compensation for that inconvenience in higher prices and greater demand for products of the soil.

The School is guilty of another sophism, which masks the confusion of the theory of values and that of productive power, when from its maxim that national wealth is nothing but the union of the wealth of all individuals, and that the private interests of each individual have more power than all the measures of governments in aid of the production and accumulation

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reviewers, who have occupied so largely the attention of the public for many years, and who have denounced the monopoly created by high duties, and proclaimed that the monopolists were enriched at the expense of the community.

Perhaps no weapon has been wielded with more success against the protective policy than the oft repeated allegation that high duties constitute a species of class legislation; that the result was to legislate money out of the pockets of the consumers into the pockets of the manufacturers. Here we find three great masters of the science conceding that this is not the case. It is simply a sacrifice imposed upon consumers for a time, to secure a greater advantage in the future. — [S. C.]

of wealth, it concludes that national industry is in the best path to prosperity when each individual is left to the undisturbed prosecution of his own labors. Even if this maxim were admitted, the conclusion of the School would not necessarily follow, for, as we have shown in a preceding chapter, the object is not to increase directly by means of commercial restrictions the sum of exchangeable values in a country, but its productive power. Now the sum of the productive power of a nation is not equivalent to the union of the productive power of every individual in the country; it depends chiefly upon social and political condition, and particularly upon the degree in which a nation has realized at home the division of labor and the association of productive power, as we have sufficiently explained in the last chapter.

The system of the School contemplates only individuals enjoying full liberty in their reciprocal relations, individuals satisfied, provided they be left to their own natural instincts, which ever stimulate men to pursue their own interests. It is obvious that this is not a system of national economy, but a system of individual economy, such as might occur without the intervention or protection of governments, without war, without the hostile measures of unfriendly countries. It cannot explain by what means nations now flourishing have attained their actual degree of prosperity and power, and by what causes others have lost their former prosperity and power. It shows how, in private industry, the natural agents, viz., labor and capital, concur in producing for the market many valuable articles, and how these articles are distributed and consumed among men. But it does not show how to bring into activity and to give value to the natural power at the disposition of a whole people, how to conduct a poor or feeble nation to prosperity and power: it does not enter into such considerations, because the School, repelling absolutely all public intervention, remains in ignorance of the particular condition of different nations, and seeks only the prosperity of all mankind.* When the subject is international

* The science of the School being founded wholly upon individual action, to favor the action of all the individuals, in the world, has at first an

trade, the School always opposes the inhabitants of the country to foreigners; it borrows all its examples from the special

aspect of great philanthropy. That is deceptive; it looks only upon individuals as the moving machinery of society. It does not take any note of their joys or sorrows, their happiness or misery. It is a science of wealth merely, and it rejects all moral considerations.

It appears to favor the individual again when it contends for individual liberty, and protests against all interference with individual rights; but that is because it regards such intervention as unwarranted intermeddling with the machinery of society, and an improper disturbance of the natural course of things.

The science does not, and cannot regard man as a moral and intellectual being; because it professes only to be the science of wealth. It cannot, therefore, embrace considerations for the moral and intellectual benefit of man; for that would be a wholly different range of inquiry. It contemplates all the individuals of the world as working their way through the world, each one by his own instincts, and in his own way: as civilized men must live by labor, his action of all individuals implies a vast production and exchange of commodities. The laws of this production and exchange are what constitute the science of the School. It is the operation of the great hive of industry which the science studies, and upon this it constructs its formulas. Every individual must be left by the system to his own action; and this is held to be the greatest boon that ever was or can be offered to humanity. The great fallacy of this idea is founded upon that ignorance of human nature which is charged by the School upon those who are in favor of public intervention. It would give free scope to individual activity. Let us suppose that favor bestowed upon a million of individuals taken from any civilized nation. They might set out together in the race of life, but a very short time only would be necessary to show that the men of talents, skill, energy, enterprise, vigor, and other natural advantages, would be far in advance of the rest. Nine-tenths of the million would soon be in no condition to derive any advantage from the liberty tendered them by the science of political economy; they would be firmly fixed in their several positions, and far too poor to avail themselves of the freedom of action. A very large portion would be hirelings, depending on their daily wages for daily bread; and a large number might be slaves or serfs. The liberty secured by the science would inure only to one-tenth, perhaps not to one-twentieth of the whole. The School leaves the interests of these nine-tenths, without restraint or limitation, in the hands of the one-tenth, consisting mainly of those upon whom, in various ways, the nine-tenths are dependent for a living, for wages, for capital, or instruction. To offer the individuals of a whole nation the largest industrial liberty, is neither boon nor advantage; it is mere mockery. It is worse: it is a liberty which inures only to

relations of merchants; it always treats of merchandise in general, without making any distinction between agricultural and manufactured products, to show that it is indifferent whether imports and exports be of the precious metals, of raw materials, or manufactured articles, and whether they are or are not in equilibrium. If, for instance, frightened at the commercial revul-

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those who already enjoy immense advantages over the masses of society; it is an immunity to men of capital, talent, power, and special advantages, to prey upon those less gifted, upon the bone and sinew, the real producers, at their pleasure. There must be no intervention. The law of demand and supply, and open markets, must be the sole regulators. The effect of this would doubtless be to make the rich richer, and the poor poorer. If these employers and capitalists have as many men as they want, it is a matter of no concern to them how many men have no employers, and are starving for want of labor and its due reward.

The question, then, must arise, whether the government must not intervene, if not between these two classes, at least so far as to regard the actual condition of the great mass of laborers, to save them from oppression; to pursue such policy as would be most likely to secure labor to all; to protect them and their employers from such an influx of foreign products as might, for a time, deprive them at once of labor and of bread.

This science takes no account of the differences in the natural gifts and powers of men, nor of the results which these differences produce; it does not accommodate itself to circumstances, and men may perish by thousands under the working of its laws, and it remain entirely unmoved. It contemplates no such emergency, and provides for none. These laws, then, which are founded wholly upon individual action, operate with terrible severity upon the great multitude who labor; they are, in fact, laws for the advantage of the few who direct, and against the many who labor.

This fundamental law of the science which regards the free action of individuals as the greatest stimulant of wealth, is a fallacy. It could only be true if men were equally endowed in all respects, and then kept equal in their positions and opportunities. It mistakes human nature. The largest production of wealth, as men are, can only be attained by that public policy which not only protects industry, but which protects the laborers, either directly, where it may be practicable or necessary, or indirectly, by protecting the special industry in which they are employed.

The idea of promoting human happiness or advantage by regarding all the individuals of the world as free from any national care or restraint in what concerns trade, is too absurd ever to have been adopted, but under some urgent motive. It is no doubt due to the ambition of constructing the science of wealth. — [S. C.]

sions which scourge the States of North America, like an epidemic, we consult that theory as to the means of removing them or diminishing the evil, we find neither consolation nor instruction; we can explain by this science neither their approach, their ravages, nor their departure, because, under penalty of being reputed an obscurantist or an ignoramus, we cannot even utter the phrase, "*balance of trade*," although it is still freely employed in legislative halls, in all offices of public administration, and in all discussions about exchange. For the welfare of mankind, it is made our duty to believe that exports and imports always balance, despite the reports of statesmen or legislators, in which we read how the Bank of England is obliged to uphold or assist the natural order or course of things, in spite of the corn-laws, which prevent agricultural countries from trading with England, and from paying in their own products for the manufactured articles they consume.

The School admits no distinction between nations which have reached a superior degree of economical development, and those which yet occupy a lower scale. It excludes everywhere the interference of the State; for every individual must be capable of production in proportion as government leaves him to his own resources. If that doctrine be true, the most active and the richest producers of the globe should be the savages, for nowhere is individual liberty greater, nowhere is the intervention of government less than in the savage state.*

* The economists of the highest authority in England and on the continent, whatever may be their special opinions on the subject of international trade, are far from professing the doctrine of abstinence on the part of government in what pertains to industry.

A veteran in this science, (McCulloch,) in the last edition of his *Principles*, &c., combats with energy the opinion that in what concerns the production of wealth, the duties of government must be purely negative, and be restricted to the guarantee or safety of property and the liberty of labor. The duties of government appear to him much more extended. After an attempt to define them in an important Chapter, (X., Part I.,) he sums up his opinions in these words:—

"The maxim, *pas trop gouverner*, should never be absent from the recollection of legislators and ministers. Whenever they set about regulating,

Statistics and history teach, on the contrary, that the action of legislative and administrative power becomes everywhere more

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they are treading a path encompassed by difficulties; and while they advance with caution, they should be ready to stop the moment they do not see the way clearly before them, and are not impelled, by a strong sense of public duty, to go forward. But, so long as this is the case, they should never hesitate in their course. There are many cases in which government must, and many more in which it should, interfere. And it is the duty of the legislature, having once fully satisfied itself, by a careful inquiry, of the expediency, all things considered, of any measure, resolutely to carry it into effect."

J. Stuart Mill, in his recent treatise, regards the question from the same point of view, and devotes a considerable part of his work to define the duties of government with reference to industry.

The opinions of men, among us, who are the official interpreters of political economy, are well known; — Michael Chevalier, in the College of France; Messrs. Blanqui and Wolowski, in the Conservatory of Arts and Trades. In the lecture at the opening of his *Course* in 1850, Chevalier took a position on this subject which may be regarded as a wise medium between those who have recently exaggerated the necessity of government intervention and those who have reproduced, with nerve and talent, the *let alone* theory of the last century. "One of the gravest errors of the modern doctrine, now widely diffused, is in the systematic preponderance given to the intervention of the state. These doctrines spring from a false notion of human nature, for they overlook the power of individual resource. They would lead to an intolerable tyranny, of which the yoke would be debasing. I believe this; I teach it. But, on the other hand, I think that a doctrine which would rest everything exclusively on personal interests, which would refuse all intervention of authority, and reduce government to the position of a keeper of the peace or an officer of police, would be equally in error, and equally impracticable." — [H. R.]

McCulloch, Chevalier, and Stuart Mill, are certainly very distinguished disciples of Smith and Say, and very high authorities in the School of political economy, founded by those departed economists. The concessions here quoted are very remarkable, and are undoubtedly made under the reacting power of truth and common sense. Their effect is, however, to modify very greatly the system of Say, on which, in fact, the School has built its authority and success. The process of disintegration has commenced, and will not cease until the School, its popularity and opinions, shall belong to the history of the past. In the first announcement of this system, nothing was more insisted upon than *the non-intervention of government and individual liberty*. These were necessary to give the new science fair play. The subject of the science was the production, distribution, and

necessary in proportion as the national economy is developed. As individual liberty is generally desirable only so far as it is

consumption of wealth. The science could assume that the natural wants of men would compel them to labor; that this labor would produce wealth; that this wealth must be distributed; that the distribution would be effected by free trade, according to the industry and wants of all people, under the operation of supply and demand, and the theory of markets. The science depended upon the habits and instincts of man, a producing and exchanging animal, to make its theory good. But that these habits and instincts should operate fairly, and justify the doctrine, they must be *let alone* to exhibit their doings in the natural order of things. The nation must not interpose any policy of its own, nor enforce any restriction or regulation; it must not attempt to relieve or furnish employment to those who suffer for want of work; all individuals must be free within the entire scope of practical political economy. Any intervention on the part of government would be a disturbance of the natural order or course of things. The science had assumed what individuals, under the pressure of their natural and factitious wants, would do; but how could the science anticipate what the movements of a despot or the action of a government might be? These sources of action had neither natural instincts nor settled habits upon which to found the laws of a science. If the science should permit itself to be drawn into the regions of mere common sense, of sound discretion, of administrative skill or cunning, or despotic or legislative caprice, it must necessarily expire. The business of governing, in reference to the interests of industry and trade, had hitherto been carried on mainly without any aid from political economy, under some of the influences just mentioned, and are far too various and capricious to be reducible into the formula of a science. And yet the great lights of the science above named have, by the concessions just referred to, deserted the great arena of the science, the free acting habits and instincts of all the individuals of the world, and have permitted themselves to be drawn into the region of national policy, sound discretion, common sense, legislative caprice, or despotic authority. So far as these operate, the science is gone; for it is no science of national policy. It is clear to our apprehension that the lights of the science above named have opened a door which will admit enemies the School can never again thrust out or overcome. There are yet many devotees of the science who maintain an uncompromising hostility to all such fatal concessions. In the number for August 1855, of the *Journal des Economistes*, which is the great organ of the disciples of Say, an article on this subject commences thus:—"The individual is the substance of society, and society has no other obligation, as it has no other object, than the security of the individual; it owes to no one anything but liberty. It can assure justice to all; it can offer nothing but justice to any one. Every system which pretends to give

not inconsistent with with the public good; so private industry can reasonably claim an unrestrained liberty of action, only to

more than liberty, attacks liberty. Every measure which passes the defence of individual rights, overlooks the rights of individuals." These principles condemn, in the name of morals, and in the name of utility, every intervention in the movement of individual activity." This is the very spirit and the true ground of the science. If this be given up, where is the stopping-place? If government be allowed to intervene at all, it must be upon the ground of public or private good, and these exceptions cover the whole ground of industry and trade. When government becomes the judge of what is to be done for the interests of the men who labor and the men who trade, the science of the School will be at an end.

It may be asked, in all earnestness, in whose hands the mass of men in any nation would be safest; in the hands of the masters, employers, traders, capitalists, men of enterprise, of talents and of energy, all pursuing their separate interests, and operating upon the necessities of the multitudes, upon their helplessness, their want of prudence and of intelligence; or in the hands of government? The government is certainly more disinterested in what concerns the welfare of the masses, than the men who are directly engaged in appropriating the proceeds of their labor. But these leading men, each one acting for himself, and fully occupied with his own concerns, even if they were ever so well inclined to favor the masses, are not in a position to see or understand the condition of all, or the wants of all; nor have they power enough to provide any remedy, or cure any evil. The government alone can survey the whole field of national industry, and ascertain the condition of all the laborers — how many are suffering for want of labor, how many from indisposition to labor, how many from the influx of foreign products, how many from want of instruction, and the want of knowing the latest improvements in their various departments, and how many from other causes; it alone can weigh all these circumstances, and devise the policy which would best promote the interest of all, or apply the remedy which might best meet special cases. Can a government have a more worthy object of effort for all its skill and intelligence than the welfare of those masses which make up the body of the nation, upon which the nation is mainly dependent for its food and for its defence? The mind of the nation may reside elsewhere, but in these masses are its bones and sinews, its blood and muscles. Shall the nation, as such, have no care of these? Shall disease invade, and accidents impair, the efficiency of these portions of the body politic, and no remedy be thought of or applied? Shall pain and suffering come upon them, and no effort be made for alleviation? The position of a government restricted to non-intervention, in such and all similar cases, would be pitiable indeed; it may be compared to the spectators round the ring of a prize-fight; they must look

the extent that such action is consistent with the general prosperity of a nation. But if this free action of individuals is use-

on and see the fight out, only securing fair play; that is justice and liberty of action to all the combatants; let who may win, let the extremity of suffering be what it may, the spectator must refrain; that is the law of battle. So in the great arena of industry, where all the selfish passions of men have full play, where cunning, skill, intelligence, caution, wisdom, courage, goodness and wealth, are in struggle with their opposites, where innumerable mischances may befall the parties which they can neither repair nor remedy; where one party has all the artillery, and the others only their hands; where the interests of all are susceptible of being blended in perfect harmony; yet where discord rages for want of a regulator to watch over them, for want of such restrictions and restraints as would not only keep all within due bounds, but prevent such interference from without as might create confusion or increase disorder, — the government must not intervene, let the suffering of either party be ever so great, or the occasion be ever so pressing. Such is the science of the School. It cannot endure even any public intervention for the poor, under any circumstances. It is utterly contrary to its doctrine to take from the rich, by way of tax, and give to the poor. The latter have fallen in the struggle, but it is not just that the victors should be called upon to dress the wounds of the defeated, or to feed or clothe them.

Was any government ever reduced to so despicable a condition? Could that be, in any proper sense, called a government, which would submit to have its hands so tied? Does not every government repress all improper movements of the working classes to gain undue advantages? Does it not regulate the rate of interest and check the efforts of speculators? Does it not watch over the weights and measures of sellers? Does it not prescribe the rates of tolls, ferriages, and the freights on railways and canals; the inspection of many articles of trade, and the manner in which they must be prepared for market; the registry and sale of vessels, with many restraints and many requirements; the inspection of steamers, with their engines; regulate the trade in powder and spirituous liquors; grant or refuse licences to brokers and traders in particular ways and places; regulate the coinage of money; the whole business of banking; the form of promissory notes, and the liabilities of parties to them; the business of insurance; the whole proceedings in cases of insolvency? But why attempt to enumerate the cases in which government intervenes necessarily in the business of individuals; restraining, directing, forbidding, guiding, assisting, and protecting? No government could exist one year in which such powers were not exercised. Now, it is true enough that the School may not contemplate the withdrawal from government of such powers; but the School has never drawn the line showing where the government may go,

less or positively hurtful to the public, the nation has the right to turn this lost industry, this wasted power, to the support of the collective power of the country; or at least those concerned or engaged in this ill-directed industry should, for the sake of their own best interests, submit to such public regulations as would enure to their own benefit as well as the public advantage. In representing free competition of producers as the surest means for developing the prosperity of mankind, the School is perfectly right, considering the point of view from which it regards the subject. In the hypothesis of universal association, every restriction upon honest trade between different countries would seem unreasonable and injurious. But as long as some nations will persist in regarding their special interests as of greater value to them than the collective interests of humanity, it must be folly to speak of unrestricted competition between individuals of different nations. The arguments of the School in favor of such competition are then applicable only to the relations between inhabitants of the same country. A great nation must consequently endeavor to form a complete whole, which may maintain relations with other similar unities within the limits which its particular interest as a society may prescribe; now these social interests are known to differ immensely from the private interests of all the individuals of a nation, if each individual be taken separately and not as a member of the national association, if, as with Smith and Say, individuals are regarded merely as producers and consumers, and not as citizens of a nation. In that character the individuals feel no anxiety for the happiness of future generations; they regard it as absurd, having been so demonstrated by Cooper, to make positive sacrifices of present enjoyments for the purpose of gaining uncertain

and beyond which it must not pass, in regulating the industry of individuals. It cannot draw any such line, because its own logic sweeps away all intervention. It has attempted to avoid the difficulty by simply severing all connection between politics and political economy. It requires governments to confine themselves to politics, which it does not define, and not to violate any of the laws of political economy, which it does define. It permits governments to exercise such powers as are left to it, the domain of political economy not being entered nor invaded. — [S. C.]

benefits. However precious in the vast and far-distant regions of the future, the duration of a nation is of little importance to them: they abandon the vessels of their merchants to the audacity of pirates; they care little for the power, the honor, and the glory of their country; at the utmost they may submit to some material sacrifices to bring up their children and to place them in such an apprenticeship as will give them a trade by which they may eventually be enabled to earn their own bread.

The prevailing theory of political economy, in fact, bears such resemblance to private economy, that J. B. Say, when, by way of exception, he permits the State to protect national industry, makes it a condition that there shall be some prospect, that after a few years it shall be able to live without public aid: he treats national industry as a shoemaker's apprentice, to whom a *few years'* teaching and support is accorded that he may learn his trade to live without further help from his parents.

CHAPTER V.

NATIONALITY AND THE ECONOMY OF A NATION.

THE system of the School, as we have shown in the preceding chapters, presents three essential defects; firstly, a chimerical *cosmopolitism*, which does not comprehend nationality, and which has no regard for national interests; secondly, a dead materialism, which regards everywhere the exchangeable value of things, taking account neither of the moral nor of the political interests of the present nor of the future, nor of the productive power of the nation; thirdly, a *separatism*, a disorganizing *individualism*; which disregarding the nature of social labor and the working of associative power towards its highest results, merely describes or depicts individual industry, as it would develop itself if unrestrained in society, that is with the whole human family, were it not separated into different nations.

But between the individual and the whole human race there is the nation with its special language and literature, with its own origin and history, with its manners and habits, its laws and institutions; with its claims to existence, its independence, its progress, its duration, and with its distinct territory; an association having not only an entirely separate existence, but having an intelligence and interest peculiarly its own, a whole existing for itself, acknowledging within itself the authority of the law, but claiming and enjoying full exemption from the control of other similar associations, and consequently in the actual state of the world, able to maintain its independence only by its own strength and proper resources. As an individual acquires chiefly by the aid of the nation and in the bosom of the nation, intellectual culture, productive power, security, and well-being, human civilization can only be conceived as possible by means of the civilization and development of nations.

There are, moreover, enormous differences between nations; we find among them giants and dwarfs, well-constituted bodies and abortions, civilized, half-civilized, and barbarous nations. But all these, as well as all individuals, have received from nature an instinct of preservation, and a desire of progress. It is the mission of political institutions to civilize barbarian nationalities, to enlarge those which are small, to strengthen those which are weak, and, above all, to secure their existence and their duration. The mission of political economy is to furnish the economical education of the nation, and to prepare it to take its proper place in the universal association of the future.

A normal nation possesses a language and a literature of its own, a territory of considerable extent, proper proportions, and numerous resources; a large population, an agriculture, a manufacturing industry, a commerce and navigation harmoniously developed; the arts and sciences, the means of instruction and general culture, being at the level of the material production. Its political constitution, its laws and institutions, assure its citizens a high degree of security and liberty; its religious sentiment being maintained, morality and comfort soon prevail among the whole population. Such a nation possesses power, by land

and sea, sufficient to maintain its independence, and to protect its external trade. It exercises an influence on the development of nations in a less degree of advancement, and with the surplus of its population and capital, both intellectual and material, it plants colonies, and founds new nations.

A considerable population, and a vast territory, with varied resources, are essential elements of normal nationality, fundamental conditions of moral culture, as well as of material development and political power. A nation limited in its population and territory, especially if it has a distinct language of its own, have but a dwarfed literature, and dwarfed institutions for the encouragement of science and art. A small state can never, within the limits of its territory, carry to attainable perfection the different branches of labor. Any protection there, constitutes private monopoly. It is only by treaties with more powerful nations, by sacrificing a portion of the advantages of nationality, and by making extraordinary exertions, that it is able to maintain successfully its existence.

A nation without sea-coast, without ships, without power over the mouths of its rivers, is dependent on others for its external commerce; it is unable to establish colonies, or to found new nations; the surplus of its population, of its moral and material resources, which is diffused into countries still uncultivated, is wholly lost to its civilization, to its industry, and yields all its advantages to other nations.

A nation, the territory of which is not limited by seas, nor by chains of mountains, is exposed to attacks from without, and can only, by great sacrifices, and at best in a very imperfect manner, establish a system of impost duties.

Territorial imperfections are corrected, either by the blending of thrones, as in the case of England and Scotland, or by purchase, as in that of Florida and Louisiana; or, finally, by conquest, as in that of Ireland by Great Britain.

Recently recourse has been had to another means of consolidating territory in a way more conformable to justice, as well as to national welfare, and not depending upon the chance of a

blended succession; that is, by association of the interests of States under treaties mutually arranged.

It is by their Customs-Union that the German nations now enjoy one of the most important attributes of nationality. That institution, however, must not be treated as perfect, so long as it does not extend to the whole sea-coast, from the mouth of the Rhine to the frontiers of Poland, including Holland and Denmark. A natural consequence of that union is the admission of these two countries into the German confederation, and of course, into the German nationality, which would thus obtain all it wants at present; that is, fisheries, naval power, with maritime and colonial commerce. These two nations belong, besides, by their origin and by their whole history, to the German nationality. The debt which so greatly oppresses them, is the result of a series of excessive exertions to maintain their independence, and it is in the nature of things that the evil should reach a point where it may be intolerable, and when their incorporation into a greater nationality will appear as acceptable as it will be necessary.

Belgium needs to be associated with a more powerful neighbor as a remedy for the inconveniences of her small territory and population. The American Union and Canada, in proportion as their population increase, will be drawn to each other, and England will soon be powerless to prevent their union.

In reference to political economy, nations have to pass through the following stages of development: — The savage state, the pastoral state, the merely agricultural state, and the state at once agricultural, manufacturing, and commercial. The history of industry in England exhibits more clearly than any other the transition from the savage to the pastoral state, from the rearing of cattle to agriculture, and from agriculture to the first attempts in manufacture and navigation; it shows also, that this transition is favored and expedited by free trade with free cities and more advanced nations; and that a prosperous manufacturing industry, a considerable marine, and a vast external commerce, can only be acquired by the intervention and aid of government.

The less agriculture has advanced, the more external trade has had to do in exchanging the surplus of agricultural products and raw materials of the country for articles manufactured abroad; the deeper a nation is plunged in barbarism, the more it requires the regimen of absolute monarchy, the more free trade, that is, the export of agricultural products and the import of manufactured products, concurs in its prosperity and civilization.

On the contrary, when agriculture and other useful arts have been well developed among a people, and when their social and political condition have been improved, less advantage can be derived from the exchange of agricultural products and raw materials for foreign manufactured articles; and competition with more advanced manufacturing nations will prove injurious.

It is only in similar nations, that is, in those possessing all the qualities, all the moral and material resources required to establish a home manufacturing industry, and to reach thus the highest degree of civilization, prosperity, political power, subject, however, to injury from competition with foreign industry, already well advanced, that commercial restrictions for the purpose of creating and sustaining a manufacturing industry, can be legitimate and successful; they are so only until that industry becomes strong enough not any longer to fear foreign competition; and they are legitimate within that interval, only in the necessary degree to protect that industry in its foundations.

The protective system would be contrary to cosmopolite economy, and also to the admitted interests of the nation, if it should completely and suddenly exclude foreign competition, and thus isolate the nation from the rest of the world.

When manufacturing industry is still in the first stage of its development, protective duties should be very moderate; they should be raised by degrees in proportion as intellectual and material capital, skill in the arts, and the spirit of enterprise, increase in the country. But it is not necessary that all branches of industry be equally protected. The most important, those of

which the development requires large capital, fixed and circulating, much machinery, consequently, great knowledge, much dexterity and experience, and a vast body of laborers, whose products are to be classed among the chief necessaries of life, having as such, of course, considerable importance, not only in reference to their total value, but in reference to the independence of the country, as the manufactures of wool, cotton, and flax, such only should have the privilege of special protection.* When these are suitably appreciated and developed, other branches of less importance grow up round them, even with less protection. Where wages are high and population not considerable, relatively to the extent of territory, as in the case of the United States, the interest of the nation demands less protection for manufactures not using much machinery, than for such as employ machinery in the greatest part of their work, provided that the states from which they receive their manufactured articles take freely in return their agricultural products.

The School mistakes completely the nature of economical relations between nations, in supposing that the exchange of agricultural products for manufactured products is just as useful to the civilization, prosperity, and generally to the social progress of such nations, as the establishment in their own territory of manufacturing industry.

A purely agricultural nation cannot develop to a high degree its home and foreign trade; its communications, its shipping; it cannot increase its prosperity as its population increases; it cannot make sensible progress in its moral, intellectual, social, and political culture; it cannot acquire great political power; it cannot exercise any important influence over the civilization and progress of less advanced nations; nor can it found colonies; a purely agricultural state is very far, in point of national advancement, behind a nation at once agricultural and manufacturing. Economically and politically, the former is always

* Every country would, of course, make out its own list of articles, the manufacture of which is necessary to its independence. England protected all her manufactures; and that of iron has proved to be one of the most important in every respect. — [S. C.]

dependent more or less upon those foreign nations which receive its agricultural products in exchange for manufactured articles. It cannot determine of itself the extent of its production that depends upon the wants of the purchasers abroad. Buyers may come from nations both agricultural and manufacturing, in which immense quantities of raw materials and food are produced, and they purchase and import from abroad only the amount of their accidental deficiencies. Thus there is dependence upon the results of foreign harvests, and upon contingencies of crops more or less abundant in agricultural and manufacturing nations; moreover, this is competition with other agricultural nations, so that a market already very uncertain becomes still more unreliable. Finally, trade with manufacturing nations is subject to interruption by war or commercial regulations, and then comes the double inconvenience of finding no buyers for an agricultural surplus, and deprivation of manufactured articles in common use. A purely agricultural nation, as we have said above, is like an individual who, wanting an *arm*, employs the arm of another, the use of which, however, he is not always sure of obtaining; a nation, both agricultural and manufacturing, is like an individual in full possession and use of his own *two* arms.

A fundamental error of the School is its regarding the protective system as a spurious conception of speculative politicians. History attests that this policy of protection had its origin either in the natural struggle of people towards prosperity, independence, and power; in war, or in the hostile measures of powerful manufacturing nations.

The idea of independence and power grows with the nation; the School takes no account of this fact; the object of its researches being, not the economy of nations, but the economy of society at large; that is, of the whole human family. If we imagine an universal confederacy of nations, we no longer find sufficient motive for exertion to promote the independence and power of each of them. The guarantee of their independence rests in the legal constitution of universal society, just as, for instance, the guarantee of the independence of the States of Rhode Island and Delaware, resides in the Union of the American

States. From the origin of that Union, those little States never thought of increasing their political power, nor even regarded their independence as less than that of the large States with which they are united.

However conformable to reason this idea of an universal confederacy of nations, it would be folly in a country to shape its policy with a view to realize such an association, and a perpetual peace, as if such facts were possible. Would not every prudent man denounce as insane the rulers who, trusting in the blessings of perpetual peace, should disband their armies, destroy their navies, and raze to the ground their fortresses? Rulers doing so would, however, merely comply with the claims which the School makes upon all nations by inviting them, on the faith of the advantages of free trade, to renounce the benefits of protection.

War has a destructive effect upon the trade between nation and nation. War violently separates the agriculturists of one nation from the manufacturers of another;—whilst the latter, especially if inhabiting a navigating and commercial country of great power and resources, readily obtain their supplies from the farmers of their own country, or from those of other countries, to which the sea gives them access. The inhabitants of an agricultural country suffer doubly by this disturbance of commercial relations. They lose the market for their special productions, and consequently the means of paying for the manufactured articles which commerce has made a necessity of life. They are thus restricted, both in their production, and in their consumption.

When an agricultural nation, restrained by war in its production and consumption, has already a considerable population, with a civilization and an agriculture sufficiently developed, the interruption of trade thus produced gives birth, at once, to manufacturing industry. War operates like a system of prohibition.

A nation thus situated learns at once the immense advantage of manufacturing industry, and acknowledges that an interruption of trade makes that advantage greater, instead of inflicting

a loss. It seizes immediately upon the idea of passing from the condition of a merely agricultural to that of an agricultural and manufacturing state, and of thus attaining the highest degree of prosperity, civilization, and power.

But when, after great progress has been made in its new career by such a nation, peace is re-established, and other nations are willing to resume former relations, it is soon perceived by all that war has given birth to new interests, which the resumption of free trade would entirely destroy. The agricultural nation finds that, to re-open foreign markets for its agricultural products, it must sacrifice the manufacturing industry which has arisen, and the home market it has afforded in the mean time; the manufacturing nation perceives that the increased agricultural production which has been developed within it during the war, must be in like manner sacrificed, if free trade is re-established. Both find it their interest, in these circumstances, to resort to protective or prohibitory duties. Such is the history of commercial policy during the last fifty years.

War has mainly been the origin of modern systems for protection, and we do not hesitate to say that it would have been the interest of manufacturing powers of the second and third rank to maintain and complete these systems, even if, after the return of peace, England had not committed the enormous mistake of restraining the importation of food and raw materials, and of keeping alive, consequently, and active, all the inducements to protection, even during peace.

As a primitive nation, the agriculture of which is in a very imperfect state, can only advance by trade with a manufacturing and civilized people, so the nation that has reached a higher degree of culture can only increase its prosperity, civilization, and power, by the aid of manufacturing industry. A war which facilitates the transition from a merely agricultural state to that of an agricultural and manufacturing people, may be regarded as a blessing to a country. The war of independence in North America, despite its enormous sacrifices, resulted in a real benefit to all future generations. On the other hand, a peace

which thrusts back into the purely agricultural condition a people already embarked in manufactures, is a misfortune and an evil incomparably more injurious than war.

Happily for the manufacturing powers of the second and third rank, England, after the re-establishment of the general peace, of her own accord relaxed her efforts to grasp the manufacturing monopoly of the world, by limiting the importation of food and raw materials. Moreover, if the English agriculturists who, during the war, possessed exclusively the internal market, had been injuriously affected at first by foreign competition, afterwards, as will be fully explained in another place, they would have been largely indemnified for their losses by the manufacturing monopoly, which their country would thus have obtained.

Some of these manufacturing nations of the second and third rank, of which the industry has been stimulated into life by twenty-five years of war, and afterwards strongly consolidated by twenty-five years of interdiction from the English market for their agricultural products, would have required perhaps not more than ten or fifteen years of efficient protection to be able to encounter free trade with England. It would have been most unreasonable, we repeat, for such nations, after the sacrifices of half a century, to renounce the immense advantages of manufacturing industry, — the high degree of culture, prosperity, and independence, enjoyed by agricultural and manufacturing countries, to descend to the inferior rank of dependent agricultural nations, and for the single reason that it pleased England then to acknowledge her error, and to entertain a presentiment of the approaching elevation of the continental nations to a state of rivalry with her.

Even if the manufacturing interest of England should obtain sufficient influence to compel concessions as to the importation of agricultural products, the House of Lords being composed entirely of proprietors of large estates, and the House of Commons also embracing a majority of land-owners, who could say, that after a few years a new tory ministry in other circum-

stances would not restore to life and vigor the old corn-laws ?* Who could answer for it that a new maritime war, or a new continental system, might not again separate the agriculturists of the continent from the Island manufacturers, and oblige the nations of Europe to return to manufactures, and to exert anew all their powers to overcome the difficulties of beginning another, of which the whole would be again sacrificed on the return of peace ?

The School would thus condemn the nations of the continent to roll upward for ever the stone of Sisyphus ; to be constantly building manufactories during war, only to let them go to ruin at the return of peace.

The School has not been able to escape these absurd results, because, in spite of the name given to the science, it has altogether excluded politics from its domain,† by entirely disre-

* The manufacturing interests with Cobden for their champion, have, in fact, obtained these concessions; we are perhaps on the eve of knowing whether they are to be recalled. — [H. R.]

These concessions have now stood for ten years, and are likely to be permanent, because they promote the real interests of England. Circumstances may, however, yet occur in which the agriculture of England may suffer greatly from this cause. — [S. C.]

† The science might as well be called *public* or *social* economy as *political* economy, the name in general use, and which signifies nothing else but the economy of a city or nation as distinguished from private economy ; but whatever be the name, it can in no case be practicable to withdraw the science from the whole field of politics. — [H. R.]

The science might be allowed to withdraw from the whole field of politics if it would remain withdrawn. It should not, indeed, be permitted to withdraw to escape difficulties and objections, and then return to control politics and legislation by laws framed without any regard to the condition of society, or to national exigencies. If the science would restrict itself to giving us light without giving us laws — that is, laws to govern politics framed without any regard to politics—it would be comparatively harmless.

But there is nothing about which the disciples of Say have more busied themselves, than in efforts to induce statesmen and legislators to adopt their laws of political economy—to incorporate their science with politics. They are importunate with rulers to abandon the region of facts and sound discretion, the observation of the incessant changes constantly occurring in the circumstances of men and nations, and commit themselves and the

garding nationality, and taking no account of the effects of war upon the foreign trade of nations.

Very different are the relations between the agriculturist and the manufacturer, when both are living in the same country, and in the mutual enjoyment of *perpetual* peace. Every extension, every improvement of a manufacture already existing, increases the demand for agricultural products. This is no uncertain demand; it depends not on laws, nor upon commercial fluctuations at home or abroad, nor upon political agitations, nor wars, nor invention, nor progress, nor finally, upon the crops of distant countries; the agriculturist of the country does not share it with others abroad, but is sure of it every year as his own market. Whatever may be the state of the harvest in other countries, whatever the excitements of the political world, he is certain of the sale of his products, and of his supply of manufactured goods at satisfactory and regular prices. On the other hand, every improvement in the agriculture of a country, every new product or process, is a new stimulus to the manufacturers; for every increase of the agricultural product carries with it a corresponding increase of manufactures. This reciprocal action of these two great industries, ensures the permanent progress of the nation.

Political power not only guarantees a nation the increase of its prosperity by means of external commerce and colonies, but it secures the continuance of prosperity and of national existence, facts of much greater moment than the increase of material wealth. By her Navigation Act England obtained political power, and by the aid of that power she extended her manufacturing supremacy throughout the world. Poland has been razed from the list of nations for want of a strong middle class, which manufacturing industry could alone have called into existence.

The School cannot deny that the internal trade of a nation is tenfold greater than its foreign trade, even where the latter has

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welfare of millions on millions of the human family to the experiment of their theory, to strict obedience to the simple laws of their science. We know upon whom the burden of failure would fall, but we are not informed who would pay the damage. — [S. C.]

reached its highest degree of importance, but it has failed to draw from that fact the important but natural conclusion that it is tenfold more needful to preserve and improve its own home market than to seek wealth from without, and that external commerce can only be important as a means of wealth where national industry has attained a high degree of development.

The School has considered markets only in the cosmopolite aspect, and not at all in a political point of view. The largest portion of the sea-coasts of Europe are within the natural circle of supply from the London, Liverpool, or Manchester manufacturers; the manufacturers of other countries can, for the most part, only compete with them in their own maritime cities. Larger capital, more extensive markets wholly their own, and which admit of manufactures upon a larger scale, and consequently at a lower price, improved methods, and lastly, cheap maritime freights, secure at present to English manufacturers, over those of other countries, advantages which long and persevering protection and improvement of the means of communication can alone procure for others. Now the market of the sea-coast is of vast importance to a nation, as well in reference to interior markets as to the exterior, and a nation of which the sea-coast is devoted to foreign more than to the home trade, is both economically and politically divided. Nay, shall I not rather say, there can be no more unfavorable condition for a nation in both respects, than to find its maritime places sympathizing more actively with the interests of people of other nations than with those of their own.

Science should never bring in question nationality, nor be ignorant of it, nor misrepresent it, to sustain any cosmopolite theory. Its true end can be realized only by conforming to nature, and by endeavoring to elevate the different peoples according to its own laws. How little success these lessons of the School have hitherto obtained in practice! This is less the fault of practical men, who certainly understand something of national interests, than of theories contradicted by experience, to adopt which, practical men must hesitate. Have these theorists prevented nations so little advanced as those of South

America from adopting the protective system? Have they prevented protection from being extended to the production of food and raw materials — products so little requiring protection, and upon which any restriction can only injure both the nation imposing it, and the nation against which it is directed? Have they prevented the nicest and most costly manufactured articles, objects of luxury, from being included among those which require protection, however evident it may be that such articles might be given up to competition without the slightest danger to the prosperity of a country? No: theory has hitherto accomplished no capital reform, and will not, as long as it stands in opposition to the nature of things. Let theory build upon nature and experience, and it may yet accomplish great good.

It would render, indeed, a special service to the world if it would establish that restrictions upon trade in natural products and raw materials greatly injure the nation that employs them, and that the protective system is legitimate only so far as it has in view the *industrial education* of the country. By establishing upon wise principles the protective system applied to manufactures, it may induce nations still retaining the prohibitive system, France for instance, to renounce it by degrees. Manufacturers will not oppose that change when they shall be assured that the theorists, far from seeking their ruin, assume the maintenance and the development of existing manufactures as the basis of a sound commercial policy.

If theory teaches the Germans that they can advantageously encourage their manufacturing industry only by a gradual elevation, then afterwards by a diminution also gradual of their protective duties, and that foreign competition to a certain degree cannot but aid the progress of their manufacture, it will render to free trade positively a greater service than by any co-operation in the ruin of German industry.

Theory must not require from the United States that they give up to free competition with foreign countries the branches of manufacture in which foreigners are assisted by cheap labor, the low price of raw materials and food, as well as by a greater use of machinery; but it can meet with no objection if it main-

tains that the United States, whilst wages remain there so much higher than in countries of older culture, will work efficaciously toward the development of their productive power, their civilization, and their political power, by granting easy access to manufactured articles, in the price of which, labor constitutes the principal element, upon condition, however, that other countries admit their agricultural products and their raw materials upon similar terms.

The theory of free trade would then be welcome in Spain, Portugal, and Naples, in Turkey, Egypt, in all countries more or less deficient in civilization, and in all warm climates. Countries in the stage of civilization in which these now are can scarcely be supposed to entertain the extravagant idea of creating a manufacturing industry by means of protective duties.

England must then cease to believe that she has been called to the manufacturing monopoly of the world. She will no longer insist that France, Germany, and the United States shall sacrifice their manufactures for the small advantage of having their agricultural products and their raw materials admitted into Great Britain. She will acknowledge the legitimacy of the protective system in those countries, while she finds free trade to be the policy which best promotes her own interests; for theory will demonstrate to her that a nation having reached a manufacturing supremacy can keep her manufacturers and tradesmen from inaction, recoil, and idleness, only by the free importation of food and raw materials, and by the competition of foreign industry.

England will take a course quite contrary to that she has heretofore pursued; instead of soliciting other nations to adopt free trade, whilst she maintains at home her rigorous prohibitive system; she will open to the world her own markets, without troubling herself with the protective system of others; she will postpone her hopes for the advent of free trade, until the time when other nations shall no longer fear the destruction of their manufactures as a result of free competition. In the meanwhile, until that day arrive, England will indemnify herself for her diminished exportation of articles manufactured for general

consumption caused by the protective systems of others by exporting freely the finer kinds of goods, and by finding and opening up new markets.

She will endeavor to restore quiet in Spain, in the East, and in the States of Central and South America; she will use her influence in all the barbarous or half-civilized countries of that part of the world as well as of Asia and Africa, to establish stronger and more enlightened governments for the greater security of goods and persons, for the construction of roads and canals, for the promotion of education and knowledge, for the encouragement of morality and industry, for the repression of fanaticism, superstition and indolence. If, at the same time, she removes her restrictions upon the introduction of food and raw materials, her exports of manufactured goods will increase in an enormous proportion, and much more safely than if she should continue to speculate upon the ruin of the continental manufacturers.

But to crown her civilizing efforts among the more or less barbarous nations, England must not be exclusive; she must not attempt by means of commercial privileges, such as were obtained from Brazil, to monopolize markets and to exclude other nations from them.

Such conduct always excites national jealousies and provokes opposition to the efforts of England. This selfish policy explains, obviously, why the influence of civilized nations has been so small hitherto on the civilization of those countries. England should therefore introduce into the law of nations the principle of equality for the commerce of all manufacturing countries in every part of the world; not only would she find the concurrence of all the enlightened powers in her civilizing efforts, but further, without injuring her own trade she might allow other manufacturing people to undertake similar enterprises. Her superiority in all departments would secure for her at all times the largest share in the supply of those markets.

The continual intrigues of the English against foreign manufacturers might perhaps be justified, if the monopoly of the world was indispensable for the prosperity of England, if it were not demonstrable by evidence that other nations besides England,

who aim at great manufacturing power, may actually attain their object without any reduction of her power or wealth; that England need not become poorer because other nations grow richer, and that nature offers resources ample enough to permit an industry equal to that of England to be developed in Germany, France, and North America, without injuring her prosperity.

In this respect it is to be first noticed, that a nation which has secured its own internal market and manufacturing industry gains, in the course of time, in production and consumption of manufactured articles, much more than the nation which heretofore supplied it loses, in consequence of its exclusion under the operation of the domestic system; for the nation thus manufacturing for itself and completing its economical development must become incomparably richer and more populous, and by consequence more able to purchase and consume manufactured goods than if it had remained dependent upon foreign producers.

In regard, moreover, to exports of manufactured goods, the countries of the temperate zone, destined and fitted by nature particularly for manufacturing industry, should seek their principal markets in the countries of the torrid zone, which supply them with tropical products in exchange. But the consumption of manufactured goods by tropical countries is limited, on the one hand, by their ability to produce a surplus of articles peculiar to their climate, and on the other, by the activity of the demand for their products in the countries of the temperate zone.

If it can be established, that tropical countries can in the course of time produce from five to ten times more sugar, rice, coffee, cotton, etc., than they have hitherto produced, it can be shown also that the temperate zone can increase five or tenfold their present exports of manufactured articles to the people of the torrid zone.

The possibility of the continental nations increasing in that proportion their consumption of tropical products, is demonstrated by the increase of such consumption in England, during the last fifty years; but we must not forget that that increase

would have been probably very much greater but for the enormous duties to which these tropical products were subjected.

That it is possible to increase the products of the torrid zone, Holland has furnished us, during the past five years, irrefutable proofs, in Sumatra and Java; and England, in the East Indies. From 1835 to 1839, England quadrupled her importation of sugar from the East Indies; her importation of coffee from the same country has increased in a proportion still more considerable, and the import of cotton has also notably augmented. English journals of late dates (February, 1840,) proudly announce that the productive power of the East Indies for such articles is unbounded, and that the time is not distant when England will become independent as to these products of America and the West Indies.

On the other hand, Holland, overloaded with her colonial productions, is unremittingly in search of new markets. Let us not forget, besides, that the States of North America continue to increase their product of cotton—that Texas has recently become a nation, destined, undoubtedly, to conquer the whole of Mexico, and make that fertile country what the Southern States of the American Union are at this time. Let us trust that the reign of order and law, labor and intelligence, may by degrees be extended over all South America, from Panama to Cape Horn; then over all the surface of Asia and Africa; augmenting everywhere, not only production, but a surplus of products. It is easy to comprehend that there is here a field open to the sale of manufactured goods for more than one nation. If we calculate the surface of the world now devoted to the production of tropical products, and if we compare it with the quantity which nature has fitted for that culture, we shall find that hardly the fiftieth part has been occupied.

How could England appropriate to herself the exclusive privilege of supplying manufactured goods for all those countries which produce tropical commodities, when the quantity exported from the West Indies would suffice for the supply of her whole demand for such products? How could England obtain a market for her manufactures in countries of which she cannot take the

commodities in exchange? And how can a vast demand for tropical commodities arise upon the European continent, if the continent, by its manufactured productions, is not enabled to purchase and consume them?

It is obvious then that the repression of the continental manufactures may impede the progress of continental industry without augmenting the wealth of England.

It is very evident that during our times, and for a long future, the torrid zone offers sufficient elements of exchange for all the manufacturing nations.

It is obvious, finally, that a manufacturing monopoly, such as would now result from the free admission of English manufactured products into the continental nations of Europe and into the States of North America, is in no respect more advantageous to mankind than the protective system which tends to the development of manufacturing industry throughout the whole temperate zone, for the benefit of the entire agriculture of the whole torrid zone.

The start which England has taken in manufactures, shipping, and commerce, should not defer any of the nations prepared for manufacturing industry, by their territory, their power, or their intelligence, from entering the list of nations holding the sceptre of industry. Manufactures, trade, and shipping, have a future which will transcend the present, as much as the present transcends the past. It only needs courage to believe in a great national destiny, and to advance in that faith. But before all, it is necessary to have sufficient national mind to plant now and to prop the tree which will furnish its most abundant fruits to future generations. Each country should at once take possession of its own markets for its own industry, at least, as to the objects of general consumption, and make due exertions to import the products of the torrid zone in exchange for manufactured goods. Such is the special problem which the German association has yet to solve, if Germany would not remain far behind France, North America, or even Russia.

CHAPTER VI.

THE ECONOMY OF THE PEOPLE AND THE ECONOMY OF THE STATE. POLITICAL ECONOMY AND NATIONAL ECONOMY.

WHAT refers to the collection, to the use and administration of the material means of a government, or the *financial economy of the state*, should never be confounded with the institutions, the regulations, the laws, and the circumstances which govern the economical condition of the citizens, that is, with the economy of the people. That distinction is to be observed with regard to all societies, great or small, to a whole nation as well as to fragments of a nation.

In a federative State, the financial economy is divided into an economy of the particular states, and into the economy of the union.

The economy of the people becomes a *national economy** when the state or the confederation embraces the whole nation, to which its population, its extent of territory, its political institutions, its civilization, its wealth, and its power, promise independence, duration, and political importance. In this case the economy of the people and national economy are one and the same thing. They constitute, with the financial economy of the state, the political economy of the nation.

In the States, on the contrary, the population and the territory of which consist of only the fraction of a nation, or of a national territory, and which neither by immediate political bond, nor by federative bond, form a whole with other fractions, there can only be an economy of the people, in opposition, as it were, to individual economy, or the financial economy of the State. In such an imperfect condition, the objects and the wants of a great nationality cannot be taken into consideration; the economy of the people cannot be regulated with any view

* This distinction is unknown in the United States, where Say's system is studied almost exclusively.

of administering a nation complete in itself, and of securing its independence, duration and power. In this case, politics must of course be excluded from economy; here men have to consider only the natural laws of social economy in general, as they would exhibit themselves if there were no such thing in existence as a compact and powerful nationality, or a national economy.

It is from this point of view that there has been developed in Germany the science which was called, at first, Economy of the State, afterwards Political Economy, then Economy of the People, without discovery, however, of the fundamental error of the systems thus designated.

The notion of a national economy could not be comprehended, for no such system had been exemplified; and because, for the particular and determinate idea of a nation, the general and vague idea of *association* had been substituted; an idea applicable to the whole of mankind, to a small country, or to a single city, as well as to a nation.

CHAPTER VII.

OF MANUFACTURING INDUSTRY, AND OF THE PERSONAL, SOCIAL, AND POLITICAL PRODUCTIVE FORCES OR POWERS OF A COUNTRY.

AMONG the effects of an imperfect agriculture may be found slowness of apprehension, bodily inactivity, adherence to old ideas, old processes, old usages, old habits, a defective education, with lack of comfort and personal liberty. The desire of a continual increase of moral and material wealth, emulation, and a love of liberty, characterise, on the contrary, a manufacturing and commercial people.

That difference is explained, in part, by differences in the mode of living and education between farmers and manufac-

turers, in part by that of their occupations and the resources which they require. Farmers live scattered over the whole surface of a country, and maintain with each other but slight intercourse. The occupation of each is nearly the same with that of every other; their products are generally the same. Their surplus products are nearly the same; they have the same wants, and each one is the largest consumer of his own product; the occasions for moral and material intercourse are consequently few. The farmer addresses himself less to men than to inanimate nature. Accustomed to harvest in the same spot in which he has sowed only after a long interval, to confide chiefly in a superior power for the success of his labors, moderation, patience, resignation, with dulness and inactivity of mind, become for him a second nature. His occupation preventing intercourse with man, requires habitually but little intellectual effort and no very great dexterity. He learns by imitation in the circle of the family in which he was born, and the idea seldom occurs to him that he might perform his work otherwise, and to better advantage. From the cradle to the tomb, he moves constantly in the same limited circle of persons and connections. Instances of a brilliant prosperity due to extraordinary exertions rarely strike his eyes. Land as well as poverty is transmitted under this rule from generation to generation, and almost all the productive power to be gained from emulation is lost.

The life of manufacturers is entirely different. Brought together by their occupation, manufacturers can only live in society and by society, in trade and by trade. They purchase all their food and all their raw materials in the market, and they retain for their own consumption but the smallest part of their products. Whilst the agriculturist relies chiefly upon the benefits of nature, the success, the very existence of manufacturers depends mainly upon trade or exchange of products. Whilst the former does not know his consumer, and has little knowledge of the market in which his products are sold, the latter is dependent for all his progress upon his customers. The rates of raw materials, of food, of labor, of manufactured goods and money,

vary without ceasing; the manufacturer never knows exactly what will be the amount of his profits. The favors of nature and daily labor do not secure to him life and comfort as to the cultivator. He must be indebted for them solely to his intelligence and his activity. He must labor to acquire the superfluous, to be assured of the necessary; to become rich, that he may not become poor. If he is a little quicker than others, he succeeds; if slower, he is ruined. He is incessantly buying and selling, exchanging and negotiating. He is everywhere in collision with men, with laws and institutions; and he is kept at all times on the alert by changing circumstances; he has a hundredfold more occasion to exert his mind than the farmer. For the proper management of business, he must have some acquaintance with foreign countries. For the establishment of his business, he is under the necessity of making extraordinary exertions. Whilst the farmer has relations for the most part only with his own neighbourhood, the relations of the manufacturer extend to every part of the world. The desire of acquiring or of retaining the confidence of his countrymen, and a ceaseless competition endangering his living and his success, are to him incessant stimulants to an unremitting activity and an uninterrupted progress. A thousand examples teach him that, by extraordinary efforts a man may rise from the lowest position to the highest ranks of society; but that by routine and negligence, he may fall from the highest rank in the social scale to the lowest place. This state of things begets in manufacturers an energy of which no trace is found in the ranks of an imperfect agriculture.

It is plain indeed that the occupation of manufacturers develops and brings into exercise faculties and talents of a far higher and more varied order than does agriculture.

Adam Smith undoubtedly supported one of those paradoxes, of which, according to his biographer, Dugald Stewart, he was so fond, when he asserted that agriculture required more skill than the industrial arts. Without inquiring whether the construction of a watch requires more skill than the management of a farm, we merely remark that all the employments of a farm are of the same nature, whilst those of a manufacture are varied

to infinity. Nor let it be forgotten, in this comparison, that it is primitive agriculture that we have in view, not the agriculture which has been improved under the influence of manufactures. If the condition of the cultivator in England appeared to Adam Smith much nobler than that of the manufacturer, the reason escaped him that it had been elevated by the action of manufactures and commerce.

It is obvious that agriculture requires only the same kind of qualification, bodily strength, and perseverance in the execution of rude tasks, united to a certain disposition to order; whilst manufacture exacts an immense variety of intellectual qualifications and of talents natural and acquired. The demand for this great diversity of faculties in a manufacturing state gives to each individual an opportunity of obtaining employment or a vocation conformable to his aptitude, whilst in an agricultural state such a choice is very limited. In the former, mental acquirements are in much higher esteem than in the second, in which the merit of a man is generally measured by his bodily strength. It is not rare in the former to find feeble or physically disabled men receiving higher remuneration than able-bodied and strong men. The least strong, as women and children, the impotent and the aged, find in the manufactory employment and remuneration.

Manufactures are the daughters of science and the fine arts, which are, in their turn, supported and maintained by the industrial arts. How little the recourse of the primitive farmer to science or to art, how little he wants their aid for the construction of the coarse implements he employs! Of course, it is by the aid of agriculture and the profits it furnishes, that from the beginning man was able to devote himself to science and the fine arts; but in the absence of manufactures, science and art have been confined exclusively to the ranks of a favored few, and their beneficent influences have never reached the multitudes. There is hardly a manufacturing operation which is not connected with physics, mechanics, chemistry, mathematics, or drawing. There is no progress, no discovery in the sciences which does not improve and transform a hundred branches of

industry. In a manufacturing state, consequently, science and art must become popular. The want of culture and instruction in the way of written treatises and expositions experienced by a great number of persons called to the application of science to the arts, induces men of special talent to devote themselves to the professions of teachers and writers in these departments. The competition of these talents, added to a great demand for their services, induces a division and a combination of scientific labors which has a happy influence, not only on the development of science, but on the progress of the fine arts and the industrial arts. The effects of these improvements are soon extended even to agriculture. In no country are agricultural machines and implements more perfect, and in none is agriculture in so advanced a state, as where manufacturing industry is flourishing. Under the influence of the latter, husbandry becomes itself a manufacture, a science.

The union of the sciences with the industrial arts has created that great physical power which in modern times is a ten-fold substitute for the labor of slaves in antiquity, and which is destined to exert so important an influence upon the condition of the masses, upon the civilization of barbarous people, upon the salubrity of inhabited countries, and upon the power of nations long civilized. That vast physical agent is the power of machinery.

A manufacturing nation has a hundred-fold more occasion to employ machinery than one merely agricultural. A man with but one arm can, by the aid of a steam-engine, accomplish an hundred-fold more than the strongest man with both arms.

The power of machines, added to the improved modes of transportation in modern times, gives to a manufacturing country an immense superiority over a merely agricultural state. It is obvious that canals, railroads, and steam navigation, are indebted for their existence solely to manufacturing industry, and that they can be extended only by its aid over the whole surface of any country. The purely agricultural State, in which every cultivator produces the largest portion of the articles which his wants require, and consumes the chief part of what

he produces, where individuals have but little intercourse with each other, cannot produce a movement of merchandises and persons large enough to cover the expenses of building and keeping up such expensive structures.

New inventions and improvements are but little appreciated by a purely agricultural population. Those who thus employ their minds among such people, generally lose their time and their labor. In a manufacturing State, on the contrary, there is no way which conducts a man of science or of skill to wealth and consideration sooner than that of invention and discovery. In the latter, genius is better appreciated and more highly remunerated than talent; and talent, more than physical power. In an agricultural State, if we except public services, the rule is very nearly the opposite.

The influence of manufactures upon the development of the power of physical labor, is not less than upon the moral power of the nation; they afford to workmen enjoyments and stimulants, which excite them to the display of their faculties, and occasions for their full employment. It is an indisputable fact, that in a prosperous manufacturing community, laborers, independently of the assistance afforded by machinery and better implements, accomplish daily much greater tasks than laborers are ever known to achieve in agriculture.

The well-known fact, that among manufacturers time has an incomparably greater value than among farmers, testifies to a higher estimation of labor. The degree of the civilization of a people and the estimate they fix upon labor, cannot be better measured than by the value they set upon time. The savage remains whole days idle in his hut. How can a shepherd realize the value of time — to him a heavy burden, which even recreation and sleep scarce render tolerable? How can a slave, a serf, a man liable to enforced services, learn how to save or value time? In his view, labor is a punishment, and idleness an advantage. It is only by manufacturing industry that men learn to comprehend the value of time; with them, to gain or lose time is equivalent to gaining or losing money. The zeal which inspires the manufacturer to make the utmost of his time

is communicated even to husbandmen. Manufactures augment the demand for agricultural products, and add, of course, to the value of the soil; larger capitals are employed in farming; consumption is increased; it becomes necessary to obtain from the soil a larger product to meet higher rents, the interest of increased capital, and increased consumption. People are soon in a condition to pay higher wages, but they claim at the same time a better return in services. The workman begins to find that in his bodily strength, and in the skill with which it is used, he possesses the means of improving his condition. He begins then to comprehend the import of the proverb, "time is money."

The isolation of the farmer, and his lack of intelligence, disable him from contributing much to the general fund of civilization, or from appreciating the value of political institutions, still more from taking an active part in the management of public affairs, in the administration of justice, or in the defence of civil liberty and personal rights. Purely agricultural nations have for the most part lived in slavery, or at least, under the yoke of despotism, feudality or theocracy. The exclusive possession of the soil secures to princes, to nobles, or to the order of the clergy, over the whole rural population, an authority from which it can seldom escape by flight, or withdraw by choice.

Under the empire of habit, the yoke imposed by force, or by superstition, or by priestly power, upon purely agricultural nations, is fixed so firmly on the necks of the people, that they at last consider it as an essential part of themselves and a condition of their existence.

The law of the division of labor and the association of productive power, brings manufacturers together with an irresistible influence. The collision of minds emits sparks of intelligence, as the smitten flint emits fire. There is no intellectual friction but where men are brought together; where the intercourse of business and studies—those of society and political life—are frequent; where there is a great exchange of goods and ideas. The more men live together, the more they need, in their respective branches of industry, the concurrence of all the others; the more their industry exacts intelligence, prudence

and culture, the less arbitrary rule, the absence of law, oppression and illegitimate pretensions are compatible with the activity of individuals and their pursuit of well-being. The more perfect are civil institutions, the more is liberty extended; the more numerous, too, are the occasions for men to exercise their own minds, or to learn to assist in the education of others. In all places, therefore, and at all times, liberty and civilization have issued from cities; witness, in antiquity, Greece and Italy; in the middle ages, Italy, Germany, Belgium and Holland; later, England, and quite recently, North America and France. But there are two kinds of cities; we call the one productive, the other consuming cities. There are cities which receive and work up raw materials, making payment to the country in manufactures, and so, too, for the food which they need. Such are manufacturing, or productive cities. Their prosperity makes the prosperity of agriculture, and they increase in proportion as agriculture expands its resources. There are also cities, where those reside who consume the fruit or the rent of the land. In any partially cultivated country, a great portion of the product of the land is consumed in cities in the shape of rents. It would be erroneous to maintain, as a general rule, that such consumption is prejudicial to production, or even not useful to it; for the possibility of securing independence by an income from land, is a powerful stimulus to economy, to saving in agriculture, and to agricultural improvements. Moreover, emulous of distinction among his countrymen, the proprietor of land, favored by education, and the independence of his position, affords important assistance to civilization, to public institutions, to the administration of the state, to the arts and sciences. The degree of influence which rent exercises upon the industry, property and civilization of a country, always depends upon the greater or less degree of liberty enjoyed by the country. The desire of being useful to society by voluntary activity, and of becoming distinguished among our fellow-citizens, is only developed in those nations where such activity produces gratitude, public consideration and reward; but not among those where the ambition of public esteem and independence of authority are looked at

with distrust. Among such as these, proprietors will rather give themselves to debauchery or idleness; by thus showing contempt for useful activity, they injure morals, nay, even sap the very principles of the productive power of the country. If their consumption encourages to a certain degree the manufactures of cities, such manufactures may be regarded as decaying and perishing industries; they can give but little aid to the development of the civilization, prosperity and liberty of the country. A sound manufacturing industry, in which these rents are invested, producing liberty and civilization, may be said to be a fund reclaimed from idleness, debauchery and immorality, and converted into a fund of intellectual production, which soon, of course, transforms merely consuming into productive cities.

Another resource of consuming cities consists in the consumption of public officers, and of the administration in general. Consumption of this kind may give to a city an aspect of prosperity; but the question whether it is useful or hurtful to the productive power of the country, to its prosperity, its institutions, depends on the good or bad influence of the functions fulfilled by the consumers.

This explains why, in purely agricultural States, there may be large cities which, though containing a considerable number of rich men, and a variety of industries, have but an inappreciable influence on the civilization, the liberty, and the productive force of the country. Tradesmen almost invariably partake of the opinions of their employers and customers. They are but the servants of proprietors and public functionaries. At the side of great luxury in such cities are found narrowness of mind, blunted feelings, boorish tastes, poverty and misery among the inhabitants of the country. Manufactures generally exert a salutary influence upon the improvement of public institutions, upon the liberty and civilization of nations, wherever they are carried on among the masses of a rural population, independent of owners and public officers, whether the articles manufactured be for their consumption, or they furnish food and raw materials for the manufacturer.

In proportion as that beneficial manufacturing industry be-

comes more firmly established, the supply of its wants will furnish a new increasing market for the agricultural products required, and all the offices of government, and all the institutions of society, will feel the advantage thus conferred upon the proprietors of the soil. Consider a large city, where manufacturers are numerous, independent, patriotic, well educated, and rich, where merchants have the same interests and the same advantages, where proprietors are under the necessity of conciliating public esteem, where official personages are under the control of public opinion, where men of learning and artists devote their time and talents to please the public at large, and are dependent upon that public for the means of subsistence; consider the mass of intellectual and material resources accumulated within such narrow space; observe the intimate union existing between that mass of forces under the law of division of labor and the association of productive powers; notice the quickness of every amelioration, of every degree of progress in public institutions, and in the economical and social condition of the people; how quickly, also, every retrograde step, every blow at the general interests, is felt throughout the whole community; reflect, how easy it is for a population residing in the same vicinity to act in concert for common purposes and by common measures, and how many resources they can instantly command; see what close relations a community so powerful, so intelligent, so attached to its liberty, sustains with other similar communities of the same country; weigh all this, and you will be easily convinced that, in comparison with cities, the whole power of which, as we have shown, reposes upon the prosperity of manufactures and commerce, a rural population, however large, scattered over the whole surface of the country, can have but little influence on the preservation and the improvement of public institutions.

The paramount influence of cities upon the political and civil government of a nation, far from being injurious to the inhabitants of the country, is the source of innumerable advantages. The interest of cities induces them to invite the occupiers of the soil to partake of their liberty, their culture, and pros-

perity; for, the more these intellectual advantages are enjoyed by a country population, the larger will be the quantity and variety of food and raw materials furnished to the cities, and of course the larger the product of manufactured goods, and the greater and firmer the prosperity of the cities. The country receives from the cities energy, intelligence, liberty, and civilization; but cities secure their liberties, their institutions, and their wealth, by inducing the people of the country to participate in them. Agriculture, which had hitherto produced only masters and servants, under this system brings forth for society the most independent and the stoutest champions of its liberty. Rural economy begins then to be self-sustaining and self-expanding; the laborer can rise to the rank of a tenant, the tenant to the rank of a farmer. Capital, as well as the means of transport, which manufacturing industry requires and establishes, encourage the application of labor to the soil. Feudal servitude, rights, laws and institutions, restrictive of labor and liberty, disappear. The owner of the land receives, then, a revenue a hundred-fold greater from his timber than from his hunting-grounds. Those who under the sad regime of enforced feudal labor were hardly able to secure the rudest living in the country, whose only gratification consisted in keeping horses and dogs to race and to hunt; who of course desired that every one disturbing them in their enjoyments should be punished for an attack upon their seignorial rights, became, by the increase of their income, by the product of free labor, enabled to live a part of the year in cities. There, society and music, reading, and the cultivation of a taste for the arts, soften their manners. There, by association with the learned and accomplished, they are taught to appreciate mind and talents. From Nimrods as they were, they become civilized men. The aspect of an industrious community, in which every one is endeavoring to improve his condition, awakens also in them a taste and spirit of improvement. Instead of chasing stags and hares, they join in the pursuit of knowledge, and hunt new ideas. On their return to the country, they carry to farmers and tenants useful instruc-

tion and examples, and secure their esteem in place of their maledictions.

In proportion as industry and agriculture flourish, the human mind is freed from its chains, tolerance gains ground, sound morals and true religious sentiment take the place of constraint of conscience. Wherever industry has exerted itself in behalf of tolerance, the priest has become a teacher of the people and a lettered man. Language and literature, the fine arts and civil institutions, have always kept even pace with manufactures and commerce.

Manufactures enable a nation to trade with less cultivated people, to increase its mercantile navigation, to become a maritime power, and to employ its surplus of population in the settlement of colonies, which promote its prosperity and power.

Comparative statistics evince that a territory sufficiently extended and fertile, in which manufactures and agriculture are completely and harmoniously developed, can support a population three times larger, and incomparably more prosperous, than a country exclusively employed in agriculture. Hence, it follows, that all the intellectual forces of a nation, the income of the State, the material and moral resources for defence, the guarantees of national independence, augment in like proportion, where a nation enjoys an active manufacturing industry.

In a period when art and mechanics exert so great an influence upon the conduct of war, when all military operations depend, in such an important degree, upon the state of the public treasury, when the defence of the country is more or less secured, according as the mass of the population is rich or poor, intelligent or stupid, energetic or apathetic, according as its sympathies are given without reserve to the country, or partly devoted to foreign interests, according as it can arm more or fewer soldiers; above all, in such circumstances, and at such a time, should manufactures be regarded and cherished for their political importance.

CHAPTER VIII.

MANUFACTURING INDUSTRY, AND THE NATURAL PRODUCTIVE FORCES OF A COUNTRY.

In proportion as man advances in civilization, he knows better how to take advantage of the natural forces placed within his reach, and his sphere of action is enlarged.

The hunter does not use the thousandth part, the shepherd not the hundredth part, of the forces of nature by which each is surrounded. Neither sea nor foreign climes furnish them with articles of consumption, nor implements of labor, nor stimulants, or at least they furnish a quantity so unimportant as to be wholly insignificant.

In an imperfect agriculture, a great part of the forces of nature remain unemployed; the man always confines his intercourse to his immediate neighborhood. Water and wind are hardly used as motive powers; minerals and lands of various kinds, to which manufacturers know how to give so great a value, are neglected; fuel is wasted, or, as turf for instance, is regarded as an obstacle to culture; stones, sand, and lime, are rarely employed in building; in place of bearing burdens confided to them by the inhabitants, or of enriching the neighboring fields, rivers and streams of water waste their power and carry off the soil. The inhabitants of such a country enjoy but seldom the products of the sea or of the torrid zone.

Even the principal natural power, the productive force of the earth, is made available to a very small extent, so long as agriculture is not sustained by manufacturing industry.

In a purely agricultural state, each district must produce all it wants; for it can neither freely send its surplus of products to others, nor draw from others additional supplies. However fertile each region may be, however fitted for the culture of oleaginous plants, for vegetable tinctures, or for pasture, each must

grow its own wood for fuel, for mineral fuel cannot be obtained from mines, or distant mountains over bad roads, but at a cost which cannot be borne. The land which would yield in vineyard or in horticulture three or four times more, must remain in the culture of grain and grass. He who prefers confining himself to breeding cattle, is obliged also to fatten them; and he who prefers to confine himself to fattening cattle is compelled to breed them. However profitable it may be to employ mineral manure, such as plaster, lime, or marl, or to burn peat and coal instead of wood, the want of means of transportation checks, if it does not prevent, all enterprises and efforts having anything in view beyond the narrow circle of such a district. However rich a product of grass the valleys might yield if irrigation upon a large scale were introduced, the streams only serve for the abrasion and removal of a fertile soil.

When manufacturing industry takes root in an agricultural country, roads are made, railroads constructed, canals are dug, rivers made navigable, lines of steamboats established. Not only do the surplus products of the cultivator find ready access to market, but become a sure source of income; not only is the labor already employed made more active and available, but the rural population is enabled to draw from their previously neglected resources a large income, and to bring into immediate and profitable use all the minerals and all the metals buried in the earth. Materials formerly transportable only a few miles, such as salt, coal, marble, slates, lime, plaster, wood, bark, etc., can then be distributed over the whole surface of a large country. Articles hitherto of no value take far higher rank in the statistics of the production of the country, than the whole previous income of its agriculture. The time comes when not a cubic inch of water-power is permitted to go unemployed; and even in the most remote parts of the country, timber and various fuels, hitherto inaccessible and without value, are brought into use and made vendible commodities.

Manufactures create a demand for a multitude of articles besides raw materials, to which a portion of the soil may be devoted with greater profit than in the production of grain,

usually the chief crop of purely agricultural countries. The demand for milk, butter, and meal, to which such a change gives rise, increases the value of the land previously used for pasture, improves the methods of culture, and promotes the practice of drainage; and the demand for vegetables and fruits transforms fields into gardens or orchards. The loss sustained by a purely agricultural country from not using its natural resources is greater, in proportion as nature has more largely endowed it for manufactures, and as its territory is richer in raw materials and natural power, specially useful to manufacturing industry; it is so, especially for hilly or mountainous regions, less suited to culture on a large scale, but which offer to other branches of industry, water-power, minerals, wood, and stone in abundance, and to farmers and others, facilities for importing or producing articles which manufacturers require.

The temperate zone is appropriate for factories and manufactures, and is almost the only one that does suit them. A moderate temperature is much more favorable than either extreme to the development and use of power. But the rigor of winter, in which the superficial observer sees only the sternest aspects of nature, powerfully encourages habits of labor, foresight, order, and economy. A man who, for six months, can obtain nothing from the ground, and who, nevertheless, needs a certain store of food for himself and his cattle, clothing and provision for his family, with protection from the weather, cannot fail to become much more industrious and more saving than one who needs only protection from rain, and who lives through the year in abundance. It is necessity which produces assiduous attention to labor: economy, order, foresight, habit and education, make them afterwards a second nature. Labor and economy go hand in hand with morality, just as idleness and dissipation with immorality: the former are an abundant source of power, the latter are fruitful sources of decay and weakness.

A purely agricultural region in a temperate clime permits, of course, the best portion of its natural resources to remain unemployed.

From not distinguishing between agriculture and manufac-

turing industry in the appreciation of the influence of climate upon production of wealth, the School has fallen, in regard to the advantages and the disadvantages of protective measures, into important errors, upon which we cannot avoid enlarging, though we have already indicated them elsewhere in general terms.

To prove that it would be foolish to produce everything in any one country, the School asks if it would be reasonable in England or Scotland to think of producing wine in hot-houses. Wine could no doubt be thus obtained, but it would neither be so good nor so cheap as that which England and Scotland can purchase by means of their manufactured products. For those who will not or cannot look more deeply into the real nature of things, the argument is plausible; and the School is indebted to it for a great part of its popularity, at least among the proprietors of vineyards and silk manufactories in France, as well as among planters of cotton and traders in that article in North America. But examined closely, the illustration is without force, for the reason that restrictions operate in agriculture altogether differently from what they do in manufacturing industry.

Let us first notice their effects upon agriculture.

Let France repel from her frontier German cattle and corn, and what would be the result? First, Germany would cease to purchase French wines, and France would then derive so much less advantage from that portion of her lands which are devoted to the culture of wine. Fewer individuals would confine themselves to that culture, and consequently a less quantity of domestic food would be required for the consumption of the cultivators of the vine. The same would take place respecting the production of oil. France would then lose much more in other branches of her agricultural industry than she could save in a single department by favoring the prohibition of German cattle which do not spring up spontaneously, and which are very likely not more advantageous for the regions in which their production is thus artificially forced.

Such will be the results if we regard France and Germany as merely agricultural countries, and if we suppose that Germany

will not retaliate. But such a policy must appear still more injurious if we consider that Germany, under the imperative law of her own interest, will also have recourse to restrictive measures, and that France is engaged in both manufactures and agriculture. Germany would impose higher duties, not only upon wine, but upon other French agricultural products which she might produce herself, or which she could more or less do without, and which, in fine, she could obtain from other places; moreover, she would impose still heavier duties upon the importation of manufactures which cannot be produced there with benefit, but which can be obtained elsewhere without recourse to France. Thus the damage which France would sustain by restriction is twice or three times more considerable than the advantage gained. The culture of the vine, of the olive, and manufacturing industry, can employ in France only as many individuals as the food and raw materials produced or imported by France can nourish and supply. Now we have seen, that restrictions upon importation do not increase agricultural production, but only transfer it from one part of the country to another. Had a free career been left to the trade in these rival products, the importation of these products, and consequently the exportation of wine, oil, and manufactured goods, would have constantly increased, as well as the population employed in the culture of the vine, and of the olive, and in manufactures, since, on the one hand, food and raw materials would have been received in always increasing quantities, and on the other, the demand for their own products would have been also increasing. The increase of that population would have excited a greater demand for food and raw materials, articles less easily imported from abroad, and of which agriculture in every land possesses a natural monopoly; the agriculture of the country would of course in these circumstances have realized still greater profits. The demand for such agricultural products as are suited to the soil of France, would, under this regime of liberty, be much greater than that which has been artificially created by restrictions. One farmer would not have lost what another has gained; the whole agriculture of the country would

have gained something, and its manufacturing industry still more. Thus restriction has not increased, but has rather diminished the agricultural power of the country, and it has moreover, annihilated that manufacturing power which results from the development of the agriculture of the country, and from the importation of raw materials from abroad. The only thing obtained by it was an increase of prices for the advantage of the cultivators of one place, at the expense of those of another, and especially at the cost of the general productive power of the country.

The inconveniences of these restrictions to the trade in agricultural products, are still more apparent in England than in France. The corn-laws have induced, it is true, the bringing into culture of a vast extent of inferior lands; but, it may be asked, would not these lands have been cultivated without them? The more wool, timber, cattle, and grain, England imported, the larger the sale of her manufactured articles, the more men she could maintain in her work-shops and manufactories, and the better the condition of her industrial classes. England might thus have doubled the number of her workmen. Each one of these might have had a better lodging, a garden for his recreation and the wants of his household, and might thus have maintained himself and family in greater comfort and abundance. It is evident that such a great increase of the numbers and well-being of the laboring population, and of their consumption, must create an enormous demand for those articles of which the country possesses a natural monopoly, and it is more than probable that two or three times more land would be brought into culture in such circumstances, than has been the case with the aid of restriction; the evidence of it may be seen in the neighborhood of any large city. However large the quantity of commodities which it may bring from a distance, there will not be found within a mile a single spot of uncultivated land, however few the advantages nature may have bestowed upon it. Should the importation of grain from distant countries be prohibited, it would diminish the population, its industry, and pros-

perity; and the farmers of the vicinity would be compelled to adopt less advantageous modes of culture.

It is obvious that, in this respect, we agree perfectly with the ruling theory. As to agricultural products, the School is quite right in maintaining that the fullest liberty of trade is beneficial in all cases to both individuals and to nations. Production may, indeed, be promoted by restrictions, but the advantage thus obtained is only apparent. In fact, such measures, according to the language of the School, only give a wrong direction to capital and labor. But manufacturing industry obeys other laws, and unfortunately the School has not been aware of it.*

* We have here no sufficient explanation why the protective system which in List's view is so applicable to manufacturing industry, is so injurious to agriculture; why these two great branches of industry should, in like circumstances, be subject to different laws; why free trade is sufficient for agriculture, and is even indispensable to it, whilst manufactures cannot do without protection; why, finally, the same arguments of the School, which are worthless in the one case, are excellent in the other.

Whatever be the product, crude or manufactured, of which the law restrains the importation, the effects, good or bad, must always be the same. A temporary loss of values always ensues; the question will then be, whether that loss will be made good, according to the expression of List, by the increase of the productive forces. But does the acquisition of a great rural industry augment the productive power of a country in a less degree than that of a great manufacturing industry?

According to List, agriculture, in its primitive state, is powerfully excited by foreign commerce; afterwards it must receive its next impulse from manufactures. But if the prosperity of manufacturing industry reacts favorably upon agriculture, ought not the prosperity of agriculture to react as favorably upon manufacturing industry? May not a nation have a great interest in establishing a new rural industry, or in resuming an old one, which war or other causes has for a time weakened or destroyed? Why should not the nation sustain such an industry in its infancy, the same as it would the first steps of a manufacturing industry?

In theory, protective duties should no more be denied to agriculture than to manufactures. It must be admitted that it should be dispensed with somewhat more caution. Agriculture is not exposed to the same vicissitudes, nor to the same perils; it is more frequently protected by nature, which has reduced competition in agricultural products to a very few competitors. These products are to be obtained in limited quantities, regard

If, as we have seen, restrictions upon the importation of agricultural products are prejudicial to the employment of capital and the powers of nature, restrictions upon the importation of manufactured products in a country populous and well advanced in its agriculture and civilization, bring to life and activity a multitude of the forces of nature, which, in a purely agricultural country, remain otherwise inactive and dead. If restrictions upon the importation of agricultural products arrest the development of productive power, not only in manufacturing industry, but even in agriculture; manufacturing industry established in a country by the aid of restrictions on manufactured products, animates all rural industry much more than the most active commerce with foreign parts. If the importation of agricultural products makes foreigners dependent upon us, and takes from them the means of manufacturing for themselves, we become by the importation of foreign manufactured products, dependent upon foreigners, and give up the means of becoming manufacturers ourselves.* If the importation of food and raw materials takes from foreigners what is needed to feed and employ their population, the importation of manufactured goods deprives us of the power of increasing our population, and of giving them labor. If the importation of food and raw materials extends the influence of our country over the world, and furnishes us the means of trading with all other nations, the import of manufactured products subjects us to the yoke of more advanced manufacturing nations, which use us for their own benefit, as England uses Portugal. In a word, history and statistics prove the justness of the maxim found in a document of the ministers

being had to men's wants; and the transportation is both difficult and expensive. . . . . .

The opinion of the author was not, besides, so positive as it appears here. Since the work has been in the press, I have seen a production of List published in 1846, in which he remarks at some length upon my book, *Association Douaniere Allemande*, (German Customs Association.) In reply to the reproach which I had addressed to him of denying protection to agriculture, he says that he allows to this general rule exceptions which he had not specified in his *National Economy*. — [H. R.]

* *Spirit of Laws*, Book XX., Chap. XXIII.

of George I., that nations are richer and more powerful in proportion as they export more manufactured articles, and import more food and raw materials. It can be shown that entire nations have perished by pursuing the policy of exporting food and raw materials, and importing manufactured articles.

Montesquieu, than whom no one, before or after him, better understood the lessons of history to legislators and statesmen, has fully recognised this truth, although political economy was not, in his time, sufficiently developed to enable him to demonstrate it clearly. In opposition to the chimerical system of the Physiocrats, he maintained that Poland would have been happier if she had completely renounced foreign commerce; that is, if she had created a home manufacturing industry, working up her own raw materials, and consuming her own food.

It was only by the development of manufactures, by means of free, populous, and industrious cities, that Poland could secure a strong interior organization, an active, a national industry, the enjoyment of liberty and wealth; that she could preserve her independence, and maintain her political influence over the less cultivated nations in her neighborhood. Instead of manufactured products, she ought to have imported from foreign parts manufacturers and capital, just as England did at at a period when she was in a similar stage of culture. But the Polish nobles preferred to send abroad the laborious product of the labor of her serfs, and to clothe themselves in fine and cheap foreign stuffs. Their posterity can better answer the question whether a nation should be advised to purchase the products of foreign factories, whilst their own manufacturers were unable to compete with the latter in price and quality. Let the nobility of other countries remember their fate whenever they are seized with the desire of feudal ascendency; let them further cast a glance at the English nobility, and learn how many advantages manufacturing industry, free citizens, and opulent cities, procure for the proprietors of large estates.

Without inquiring whether the elective kings of Poland were able to introduce a commercial system similar to that gradually established by the hereditary kings of England, let us suppose

it had been introduced in reality; is it not easy to perceive what beautiful fruits such a system would have borne for Polish nationality? Under the influence of great and industrious cities, royalty would have become hereditary, the nobility would have consented to form a House of Lords and to emancipate their serfs; agriculture would have been improved as in England, the Polish nobility would be now rich and honored. Poland, if not enjoying as much respect as England, if not exercising as great an influence in the world, would have been long since civilized and powerful enough to extend her influence over the less civilized nations of the East. Destitute of manufactures, she is dismembered, and even if she were not already, she could not escape that fate. Of her own accord she failed to become a manufacturing country; but she could not have succeeded, for her efforts would always have been paralyzed by nations more advanced in that industry. Without a protective system, and under the rule of free trade with more advanced nations, even if she could have maintained her independence, she could not have gone beyond the limits of an imperfect agriculture; she could not have become rich and powerful, and must have remained without influence.

The fact that manufacturing industry transforms into productive capital, wealth and national powers, explains mainly why protection exerts so powerful an influence upon the increase of national wealth. The prosperity it gives is not a deceptive appearance, like the effect of restrictions upon agricultural products: it is a reality. It is the powers of nature entirely dead, wealth of nature of no value whatever, which an agricultural people awakes to life and brings into value when it becomes a manufacturing nation.

It has been long observed that man, as well as the lower animals, improves intellectually and physically by cross-breeding, and that he degenerates gradually when marriages constantly occur among a small number of families; so with plants when the seed is sown constantly in the same soil. The knowledge of this natural law explains why, in many of the smaller African and Asiatic tribes, savages or half-civilized, the men take their

wives from other tribes. Experience drawn from the oligarchies in small municipal republics, who constantly intermarry, die off successively, or visibly degenerate, seems to me another evident proof of that law of nature. It is undeniable, that by blending in one generation two diverse races, is produced almost without exception a robust and beautiful offspring; and this observation extends even to the mixture of whites and blacks down to the third and fourth generation. It is on this account, apparently, that nations issuing from often-repeated mixtures, embracing the whole population, surpass all others in power of mind and character, in vigor of constitution and bodily beauty.

Hence we conclude that men are not necessarily the inactive, awkward, low-minded beings we find under the regimen of an imperfect agriculture, such as we find in small villages, where many families have, during centuries, intermarried with each other, where, for centuries, no one has thought of trying an experiment or a new process, of changing the form of dress, of adopting any new instrument, or receiving a new idea, where the climax of improvement consists not in any display of intellectual or physical power, but in the ability to endure the greatest privations possible.

This state of things is changed to the great benefit of the population of a whole country by introducing manufacturing industry. A large portion of the increase of the agricultural population being thus diverted to manufactures, the farmers of different localities will be led to intermarry, and marriage will also take place between the manufacturing and agricultural population to their reciprocal advantage, and thus the moral, intellectual, and physical apathy of the inhabitants will be arrested. The intercourse which manufactures and trade, to which they serve as a basis, establish between different countries and different places, infuses new life into the veins of a whole nation, of a whole community, and into those of each family.

Manufacturing industry has no less influence on the improvement of the breed of domestic animals. Wherever manufactures of wool have flourished, the breed of sheep has rapidly improved. The great number of laborers employed in manufactures creating

a stronger demand for good meat, the farmer will endeavor to introduce better breeds of horned cattle. A more active demand for fine horses induces also the improvement of horses. The old races degenerated for want of cross-breeding disappear, — a degeneracy which belongs to a defective agriculture, and which makes the domestic animals the true counterpart of their stupid masters.

How greatly has the productive power of nations been already indebted to the introduction of foreign animals and the improvement of indigenous races, and how much yet remains to be done in this respect! All the silk-worms of Europe proceed from eggs, which, in the reign of Constantine, certain Greek monks carried in hollow canes to Constantinople from China, whence their exportation was severely prohibited. France is indebted for a brilliant industry to the importation of the Thibetian goats. It is to be regretted, that in the introduction of foreign races, or the improvement of the indigenous races, attention has been chiefly fixed rather upon supplying the demands of luxury than upon promoting the well-being of the masses. Travellers affirm the existence, in certain regions of Asia, of a breed of horned cattle, uniting to remarkable strength a great activity, fitting them equally with the horse for burdens and for draught. What a vast advantage would such a race prove to the small farmers of Europe and elsewhere! What increase of food, of productive power, and of enjoyment, would not the working classes derive from the domestication or introduction of such an animal!

The productive power of mankind is increased by the improvement and naturalization of plants in a much higher degree than even by the improvement and naturalization of animals; this fact will be seen at once, if we compare the primitive plants as they came originally from the bosom of nature with those improved. How little do the primitive grains, fruits, and vegetables, and oil plants, resemble, in form and usefulness, their improved descendants! What resources for food, what enjoyments and occasions for the useful employment of productive power, have they not furnished! Potatoes, beets, turnips, or artificial meadows, with good manures and good implements of

husbandry, have increased our agricultural product, until it is ten-fold greater than that of the Asiatic nations.

Science has already done much for the discovery and improvement of new plants; but in this important branch of public economy, governments are far from having hitherto devoted to the subject all the attention it deserved. It has been asserted of late, that in the prairies of America new kinds of grass have been discovered, which yield upon indifferent soil, a greater return than the usual kinds of grass upon the richest lands. It is not improbable that in the solitudes of America, Africa, Asia, and Australia, there are now growing a multitude of plants without any value, the naturalization and improvement of which would vastly augment the industry and well-being of the inhabitants of the temperate zone.*

It is evident that the greater part of the improvements and naturalizations of animals and vegetables, as well as the greater part of the progress made in that direction, and most of the discoveries and inventions, chiefly enure to the benefit of the inhabitants of the temperate zone, but more especially to those of the manufacturing countries.

CHAPTER IX.

MANUFACTURING INDUSTRY, AND INSTRUMENTAL FORCES, OR THE MATERIAL CAPITAL OF A COUNTRY.

A NATION finds its productive energy in the moral and physical power of individuals, in its civil and political institutions, in the natural resources placed at its disposal; finally, in the instruments of which it has the use, and which are themselves the material products of previous efforts of body and mind, that is, products of previous agricultural, manufacturing, and commercial material capital.

* Caoutchouc and Gutta Percha are instances of what can be done with vegetable productions only recently made known to industry. — [S. C.]

We have treated, in the two preceding chapters, of the influence of manufactures upon the first three of these sources of the productive power of the country; the present and following chapter will be devoted to their influence upon the latter.

What we call *instrumental forces*, is called by the School *capital*.

It may not be important what word is employed to designate a particular object, but it is very important that the term selected should always mean the same thing, and that it should not have at different times a meaning more or less extended. Whenever mention is made of different species of the same thing, a distinction becomes necessary. Now, by the term capital, the School understands, not only material, but also all intellectual and social means of production. The School ought, of course, when it speaks of capital, to indicate whether it intends material capital or material instruments of production, or intellectual capital, or capital arising from moral or physical power; whether this power be personal, or whether individuals find it in the civil and political condition of society. The omission of this distinction in cases where it ought to be made, cannot fail to lead to false conclusions, or to conceal the truth. As, however, we have less at heart the adoption of new terms than an exposition of the errors committed under cover of an imperfect terminology, we shall use the word capital, distinguishing between intellectual capital and material capital; between the material capital of agriculture, of manufactures, and of commerce; between private capital and national capital.

Adam Smith, by the aid of that vague expression of capital, brings against the protective system the following argument, which continues in use to this day among all his disciples:—

"By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise; and after a certain time may be made at home, as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its

industry or of its revenue, can ever be augmented by any such regulation. The industry of society can augment only in proportion as its capital augments; and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue; and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments."*

In support of this argument, the founder of the School produces the illustration, the inapplicability of which we have already shown, of producing wine in Scotland.

In the same chapter he says that the annual revenue of society is merely the exchangeable value of the yearly product of national industry.

That is the principal argument of the School against the protective system. It grants that by means of protective measures, manufactures may be established, and enabled to produce articles at a lower rate even than those imported from abroad; but it maintains that the immediate effect of such measures is to diminish the income of society or the exchangeable value of the yearly product of national industry. This would diminish the power of society to accumulate capital; for capital can be acquired only by means of savings, realized by a nation on its annual revenue. Now, the development of national industry depends on the amount of that capital, and it is solely in the proportion of the latter that it can be enlarged. Society diminishes its industrial power, when, by such measures, it establishes an industry which would have arisen spontaneously, if things had been left to their own course.

We remark upon this doctrine, in the first place, that Adam Smith employs the term *capital* in the same sense in which men of wealth, merchants, employ it in their book-keeping, and in making up their balance-sheets; that is, as the whole or principal of their estates, in contradistinction to their profits, interests, or income.

* Smith: Wealth of Nations, B. IV., Ch. II.

He forgets that his own definition of capital comprehends under this term the moral and physical faculties of producers.

He maintains, erroneously, that the income of a nation depends solely on the amount of its material capital. His work proves in a thousand places that this income depends chiefly on the mass of intellectual and corporeal power of the nation, as well as upon its social and political progress; especially upon those resulting from a more perfect division of labor, and from the association of the productive power of a country; and it proves that if protective measures involve for a time a sacrifice of material wealth, there is an indemnity of an hundred-fold in the productive power, in the means of acquiring exchangeable values, and consequently that such a sacrifice is only a reproductive expense to the nation.

He forgets that the principal means of increasing the sum of the material capital of a nation consists in the faculty of transforming the unemployed power of the nation into a material capital, into instruments of value, and productive of income; and that in a purely agricultural nation, a considerable amount of natural power, which cannot be brought into use or activity but by manufactures, remains idle or dead. He does not consider the influence of manufactures on the home or foreign trade, upon civilization, upon the power of the nation, upon the preservation of its independence, nor upon the facilities which it affords for the acquisition of material wealth.

He takes no account, for instance, of the amount of capital which the English have acquired by their colonizations. Martin estimates the total sum at more than two-and-a-half milliards of pounds sterling.

He who exhibits so lucidly that the capital employed in intermediate trade should not be considered as the property of any nation in particular, until it shall have been, so to speak, incorporated with the country, seems not to be aware that the incorporation of such capital cannot be more fully realized than by the protection of domestic manufactures.

He does not reflect that the attraction of protection draws into the country a large foreign capital, both industrial and ma-

terial. He maintains, erroneously, that manufactures will come of themselves in the natural course of things; we see, however, that in every nation political power intervenes to give to that natural course an artificial direction in its particular interests.

This argument, which rests upon an equivocation, and which, by consequence, is essentially vicious, he illustrates by an example altogether inapplicable, when, by the folly of attempting the artificial production of wine in Scotland, he tries to prove that it would be equally foolish by artificial means to establish manufactures.

He compares the work of creating capital in a nation to the operations of a man of property, whose income is regulated according to the value of his material capital, and who can only increase it by adding his savings to his capital.

He does not reflect, that this theory of saving, suitable for the desk of a tradesman, would conduct a nation to poverty, barbarism, impotence, and ruin. When economy is carried to extremes, and all deny themselves much they might enjoy, every stimulus to production is taken away. When accumulation is the passion of all, and men only think of increasing their store of wealth or commodities, the intellectual power, which production demands, rapidly decays. A nation of such unhappy misers would give up the defence of their country, to avoid the expenses of war; and when all its wealth had become the prey of an invader, it would learn that the wealth of nations is acquired in a different way from that of capitalists.

The capitalist ought, as the father of a family, to adopt quite another theory from that of the merchant, which has been just indicated. At any rate, he must expend for the education of his children a portion of the wealth necessary to train them for some position in life, and for the management of the estate which he is to leave them.

The formation of material capital for a nation is not accomplished merely by saving, as in the case of the capitalist; like that of productive power in general, it results from the reciprocal action of the intellectual and material capital of the

country, the mutual influence of agricultural, manufacturing, and commercial capital, the one upon the other.

The increase of the material capital of a nation depends on the increase of its intellectual capital, and reciprocally.

The creation of the material capital of agriculture depends on the creation of the material capital of manufactures, and reciprocally.

The material capital of commerce appears to be always intermediate and auxiliary to the other two.

In the primitive state among hunters and shepherds, men are indebted to nature for almost everything; capital is of little account. External commerce increases the latter, but this leads to the use of fire-arms, powder and lead, which destroy entirely the productiveness of the former. The hunter can never adopt the theory of saving, he must starve or become a shepherd.

In the pastoral state, material capital increases rapidly, but only so far as nature spontaneously offers food for cattle. But the increase of population follows closely upon that of cattle and alimentary resources.

On the one hand, cattle and pastures are distributed gradually into smaller portions, and on the other, the foreign trade stimulates consumption. In vain should we preach the theory of saving to shepherds: they must starve, or enter the condition of cultivators.

To an agricultural people, the employment of the hitherto unused powers of nature, opens a field of activity, vast, but not without limits.

The cultivator can obtain food for his personal wants; in addition to that, he can improve his land and increase his cattle; but the increase of food is always followed by an increase of population. Material capital, especially land and cattle, in proportion as the former becomes more fertile, and the latter more abundant, are apportioned among a greater number of individuals. But as the surface of the earth cannot be extended by labor, as there will be a want of modes of communication, which, as we have shown in a former chapter, must be very imperfect where trade is limited, as each kind of land can only be employed

in that culture to which it is adapted, and as a merely agricultural nation is, for the most part, without such advantages, without the knowledge, the stimulants, the energy, and the social culture which manufactures and commerce bring in their train; a merely agricultural nation soon arrives at that stage when the increase of material agricultural capital cannot proceed at equal pace with the increase of population, and when, of course, individual poverty increases daily, though the collective capital of the nation may not cease to augment at the same time.

In such a state of things the most important product of a nation, men, not finding labor or livelihood at home, resort to emigration. It will be very small consolation for such people to know that the School regards men as accumulated capital; for the exportation of men not only brings no return, but it is accompanied by the export of a considerable amount of material value in the form of furniture, tools, and money.

It is obvious, in such circumstances, that so long as the national division of labor remains imperfectly developed, neither labor nor economy can increase the material capital, or add to the material wealth of individuals.

It is true that an agricultural country is hardly ever without some external commerce; and external commerce is, to a certain degree, the substitute for domestic manufactures, as to the increase of capital, in so far as it brings manufacturers abroad into relations with the cultivators at home. But those relations are partial and very insufficient; first, because they refer only to certain special products, and scarcely ever extend further than to the sea-coast, or to the banks of navigable rivers; secondly, because they are at any rate very irregular, and are frequently interrupted by war, the fluctuations of commerce, by commercial regulations, by abundant crops, or by importations from other countries.

The material capital of the agriculturist increases upon a great scale, regularly and indefinitely, from the day when manufacturing industry, fully equipped, commences active operations among the cultivators.

The largest part of the material capital of a nation is fixed in

the soil. In every country, the value of the land, of the buildings in country and town, of the workshops, of factories, waterworks, mines, etc., make up an amount from two-thirds to nine-tenths of all the values which the nation possesses; it ought then to be plainly seen that whatever increases or diminishes the value of land, increases or diminishes the amount of the material capital of the nation. Now we see that the value of land of the same natural fertility is much greater in the neighborhood of a small town than in a remote district, near a large city than near a small town, in a manufacturing country than in a merely agricultural country. We see, on the other hand, that the value of houses or factories, as well as of building lots, in cities, generally falls or rises in proportion as the intercourse of the city with the country is extended or restricted, or in proportion as the farmers become richer or poorer. Hence it follows that the increase of agricultural capital depends on the increase of manufacturing capital, and reciprocally.

But in the transition from a purely agricultural state to the condition of a manufacturing state, this reciprocal influence acts with much greater power on the side of manufacturing industry than on that of agriculture; for just as, in the transition from the life of the hunter to that of the shepherd, the increase of capital comes chiefly from the rapid increase of flocks, and in the transition from the pastoral life to that of agriculture, chiefly from the rapid acquisition of new fertile lands and a surplus of food, so when a nation passes from a merely agricultural to a manufacturing industry, the increase of the national material capital is chiefly due to the capital and power employed in manufactures, because a considerable sum of natural and intellectual power, hitherto useless, is thus transformed into a material and intellectual capital. Far from being an obstacle in the way of material saving, the creation of manufactures supplies a nation with the means of investing advantageously its agricultural savings, that is an effective stimulus to such economies.

In the legislative assemblies of North America, it has been often said that for want of a market grain has rotted upon its

stalk, not worth the expenses of harvesting. In Hungary the farmer is smothered in abundance, whilst manufactured goods cost there three or four times more than in England. Even Germany can remember such a state of things. In purely agricultural countries, every surplus of rural products does not constitute material capital. It is only with the aid of manufactures that it becomes, by its accumulation in warehouses, a commercial capital, and that by its sale to a manufacturing population it becomes manufacturing capital. What would, in the hands of the farmers, be a useless stock, becomes a productive capital in the hands of the manufacturers, and reciprocally.

Production renders consumption possible, and the desire of consuming excites to production. A purely agricultural country depends for its consumption on the condition of foreign countries, and when that is not favorable to it, the production excited by the desire of consuming ceases. But in a nation uniting upon its territory both manufacturing and agricultural industry, their reciprocal exciting influence does not cease, and the increase of production proceeds on both sides, and so also of capital.

Nations at once agricultural and manufacturing being always, for reasons already mentioned, much richer in material capital than purely agricultural nations, it is a striking fact that the rate of interest among such people is always quite low; men of enterprise find capital more easily attainable and upon better terms. Hence the advantage in a competition with the new manufactures of an agricultural people just entering that career; hence a constant inundation of manufactured goods poured into the latter; hence the permanent debt to manufacturing nations, and hence those constant fluctuations in the market value of commodities, of manufactured articles, and of money exchange, which arrest the accumulation of material capital, at the same time that they impair the public morality and internal economy of a country.

The School distinguishes between capital fixed and capital circulating, and includes, in a very strange way, under the first kind, a multitude of things, which circulate without making

any practical application of that distinction. It passes in silence over the only instance in which that distinction could be useful. Thus material, like intellectual capital, is generally attached to agriculture or manufacturing industry, or to commerce, or to a particular branch of one of these three departments of labor; and it is even frequently attached to certain localities. Fruit-trees which have been cut down have quite a different value with the cabinet-maker, who converts them by his art into furniture, from that in which they are held by the agriculturist, who uses them for the production of fruits. Flocks of sheep killed in mass, as is sometimes done in Germany and in North America, possess no longer the value they had as instruments for the production of wool. Vineyards have, as such, a value which they lose if they are turned into plough-lands. Ships employed as timber or fuel have much less value than when they serve as transports. Of what service to manufactures would water-power be, if manufacturing industry could not be pursued with profit? Individuals lose generally, by changing their residence, the chief part of their productive power, so far as it consists of experience, habits, and acquired skill. To all these things, to all these qualities, the School gives the general name of capital, and in virtue of that terminology, it transfers them at pleasure from one branch of industry to another. Thus Say advises the English to devote to agriculture their manufacturing capital. He does not explain how this miracle could be wrought, and to this day it is unknown to the statesmen of England. Say, it is plain, has blended individual with national capital. A manufacturer or a merchant may withdraw his capital from manufacturing industry or commerce by selling his manufactories or his ships to another, and by purchasing with the proceeds real estate; but a whole nation cannot perform such an operation without sacrificing a large portion of its material and intellectual capital. The reason why the School has darkened a subject, in itself so clear, is obvious. When things are called by their true names, it must be plain to the most careless observer, that the displacement of productive power from one branch of industry to another,

involves difficulties which, so far from always sustaining free trade, often furnishes the strongest arguments in favor of protection.*

CHAPTER X.

MANUFACTURING INDUSTRY AND AGRICULTURAL INTERESTS.

If protection to domestic manufactures be prejudicial to consumers of manufactured goods, and if it only serves to enrich manufacturers, the owners of estates and farmers, who constitute the most numerous and the most important class of consumers, would particularly suffer. But it can be shown that this class derives from manufactures greater advantages than manufacturers themselves; for manufacturing industry creates a demand for a greater variety and a larger quantity of rural products; it increases the exchangeable value of agricultural

* There are not merely difficulties in the way of a national change from one department of industry to another, according to the phrase so flippantly employed by the School, of thus transferring capital; there are utter impossibilities in the way. One manufacturer may sell his factory and machinery for the purpose of betaking himself to agriculture; a hundred or a thousand may do it, but this makes no change of industry. Individuals have changed occupations, but the national industry has undergone no change: one manufacturer has given place to another, and one agriculturist to another. Manufacturing capital is chiefly invested in immense factory buildings, surrounded by dwellings for workmen, and in machinery and implements fit for nothing else; this capital cannot, by any possibility, be applied to agriculture. When a whole nation can no longer manufacture, the workmen may by possibility obtain other employments, though experience proves that they perish by multitudes in the attempt; but the capital invested in buildings, machinery, and implements, is wholly lost. And even when men skilled in working in iron and cotton, wool and silk, are compelled to find labor in other branches of industry, an immense productive power is lost, because all their skill, experience and facility, becomes useless. — [S. C.]

products, and enables farmers to realize better prices and a larger income from their land and their labor. Thence an advance in rents, in the profits of farming, and of agricultural wages; and this increase of rent and capital must be followed by an increase in the exchangeable value of land and labor.

The exchangeable value of country property is, in fact, only rent, converted into capital; it depends on the one hand upon the amount and upon the value of the rent, and on the other upon the mass of moral and material capital which exists in the country.

All individual and social progress, all general development of the productive power of the country, but especially the establishment of manufactures, augments the rent in quantity, though it may have a tendency to distribute it among a larger number. In an agricultural country, little cultivated, and sparsely peopled, in Poland, for instance, rent rises to the third or to the half of the raw product; in a more advanced country, populous and rich as England, for instance, it does not exceed the fourth or fifth part. The whole amount, however, of this smaller proportion, is greater than that of the larger proportion, especially in money, and still more in manufactured articles; for the fifth of the 25 bushels which in England is the average yield of wheat, is 5 bushels; and the third of 9 bushels, the average yield of Poland is but 3; besides, the 5 bushels in England are worth in money from 25 to 30 shillings, and the 3 bushels in Poland are not worth more than 8 or 9 shillings; manufactured goods in England cost less than half what they cost in Poland; of course the English proprietor can, with his rent of 30 shillings, buy 10 yards of cloth, whilst the Polish proprietor, with 9 shillings rent, can purchase but 2. The former, with the fifth of the raw products, is therefore three times better off than the proprietor receiving a rent of one-third; and five times better off, as a consumer of manufactured goods, than the latter with the third. As to farmers and their laborers, their condition is likewise vastly better in England than in Poland, even as consumers of manufactured articles. In fact, on a product of 25 bushels in England, there are 20 left for seed,

for improvement, wages, and profits. Now, if we take for these two latter elements the half, that is, 10 bushels, the average of that half will be 60 shillings; and, at a rate of 10 shillings a yard, it will represent 20 yards of cloth; in Poland, on the contrary, a raw product of 9 bushels will leave but 6 bushels for seed, improvements, profits, and wages; and if we take again for profits and wages one-half, that is, 3 bushels, that part is worth but from 8 to 9 shillings, which can purchase only 2½ yards of cloth.

Rent is one of the principal modes of investing material capital. Its value is consequently regulated by the amount of capital in the country, and by the relation between demand and supply. The abundance of capital which commerce, foreign and domestic, amasses in a manufacturing nation, the low rate of interest which prevails, the fact that among a manufacturing and trading people a great number of wealthy individuals are constantly endeavoring to invest their money in land, enhances the price of real estate, and places it far above the value of land in any purely agricultural country. In Poland, land sells for ten to twenty times its yearly rent; in England, it sells for thirty to forty times its annual rent.

As the money value of a rent is higher in a manufacturing and trading than in an agricultural nation, the value in money of lands is likewise much greater. Land of equal natural fertility is worth ten to twenty times more in England than in Poland.

This influence of manufactures on rent, and therefore upon the exchangeable value of land, is noticed by Adam Smith at the end of the second chapter of his first book, but only in passing and without placing in proper relief the immense importance of manufactures in this respect. He distinguishes there between the causes which act *directly* in augmenting the value of rents, such as agricultural improvements, and the increase of cattle in number and exchangeable value, and the causes which act *indirectly*, and he places manufactures among the latter. Thus manufactures, which are the principal cause of the rise of rent, as well as of the value of land, are thrown by him into the back-

ground as scarce worthy of notice, whilst improvements of the soil and the increase of cattle, which are really the effect of manufactures, and of the trade which they produce, are placed before them; or, at least, put forward as principal causes. Neither Adam Smith nor his disciples have even approached a proper estimate of the importance of manufactures in this respect.

We remarked, that under the influence of manufactures and the trade which belongs to them, the natural fertility being equal, the value of land was in England ten or twenty times greater than in Poland. If we compare the total amount of the manufacturing product and capital of England with that of its agricultural products and capital, we find that the chief part of the wealth of the country consists in the value of the real estate.

M'Queen furnishes the following table of wealth and annual income of England.*

I. National Capital.

Capital fixed in agriculture, land, mines, and fisheries	£2,604,000,000	
Circulating capital in cattle, implements, provisions and money	655,000,000	
Tools of agriculturists	52,000,000	
		£3,311,000,000
Capital invested in manufactures and commerce, manufactures and internal trade in manufactured goods	178,500,000	
Commerce in colonial goods	11,000,000	
Commerce in manufactured goods with foreign countries	16,500,000	
To which may be added for increase since 1835, when this estimate was made	12,000,000	
		218,000,000
Town buildings of every kind, and buildings for manufactures	605,000,000	
Ships	33,500,000	
Bridges, canals, railroads	118,000,000	
Horses, others than those for agriculture	20,000,000	
		776,500,000

* It ought to be understood that the estimates of this Table are not, and cannot be other than very remote approximations. — [H. R.]

Total of the national capital, deducting what is invested in the colonies, foreign loans, and the public debt of England	£4,305,500,000

II. Gross National Income.

Agriculture, mines, and fisheries	539,000,000
Manufacturing industry	259,500,000
Total	798,500,000

From this table it results — 1st, That the value of the soil devoted to agriculture comprehends the 26-43d of the total wealth of England, and is nearly 12 times greater than that of the whole capital invested in manufactures and commerce.

2d, That the sum employed in agriculture comprehends more than three-fourths of the capital of England.

3d, That the whole value of fixed property in England, viz., land, etc., is £2,604,000,000

Towns, buildings, and manufactories	605,000,000
Canals and railroads	118,000,000
Total	3,327,000,000

composing more than three-quarters of that capital.

4th, That the manufacturing and commercial capital, including ships, does not exceed 241,500,000, and constitutes, therefore, but about one-eighteenth of the national wealth.

5th, That the agricultural capital of England, which is 3,311 millions, produces a gross income of 539 millions, that is, about thirteen per cent., whilst the manufacturing and trading capital, which is but of 218 millions, yields a yearly gross product of 259,500,000, or one hundred and twenty per cent. It must not be overlooked here, above all, that 218 millions of manufacturing capital, yielding a yearly income of 259,500,000 is the main cause which swells the agricultural capital to the enormous sum of 3,311 millions, with its yearly product of 539 millions. By far the greatest portion of agricultural capital consists in the value of the land and cattle. By doubling and tripling the population of the country, by sustaining an immense external commerce, by furnishing a vast quantity of shipping, by acquiring and employing a multitude of colonies, manufactures

have increased in the same proportion the demand for food and raw material; they have created in cultivators the desire, and furnished the means, of indulging to that increased extent; they have raised the exchangeable value of agricultural products, and thus determined a proportional increase in quantity and exchangeable value of the rent of land and of the value of the soil. Destroy that manufacturing and commercial capital of 218,000,000, and not only the income of 259,500,000 would disappear, but also far the greatest part of the 3,311,000,000 of agricultural capital, and, consequently, of the income of 539,000,000 derived from that capital. The income of England will be diminished not merely 259,500,000, the value of the manufacturing production, but the exchangeable value of the soil will fall to the rate it bears in Poland, that is, to the tenth or to the twentieth of its present value.

Hence it follows that the capital usefully employed in manufactures by an agricultural nation increases in time the value of the soil ten-fold. Experience and statistics unite everywhere in confirming this conclusion. We have always seen the value of land as well as of cattle rapidly enhanced by manufacturing industry. The justness of our remark will be readily seen if we contrast these values in France, 1789 with 1840, in the United States, 1820 with 1830, in Germany, 1830 with 1840, that is in a feeble development with a grand progress in manufactures.

The cause of this fact is the increase of the productive power of the country, an increase which is itself the effect of a national division of labor and of a more energetic association of national power, of a better employment of the moral and natural power at the disposal of the country, and finally, of foreign commerce.

It is with manufactures as with improved ways of communication; not only do these ways furnish a perpetual rent or income, and thus justify sinking the capital employed in their construction, but they contribute powerfully to the progress of manufacturing industry and of agriculture, to a degree even of ten-fold, in time, the value of estates in land situated in their vicinity. As compared with the builders and owners of such modes of transportation and travelling, the agriculturist

has this signal advantage, that the ten-fold increase of his capital is sure at any rate, and that he realizes this profit without any sacrifice, whilst they risk the whole capital employed. The position of the agriculturist, as contrasted with that of manufacturers in their first efforts, is equally favorable.

But if the influence of manufactures upon agricultural production, upon rent, and upon the value of estates in land is so remarkable; if it is so advantageous for all concerned in agriculture, how can it be maintained that protective duties favor manufactures at the expense of farmers or proprietors of land.

The material welfare of agriculturists, as well as of men in other branches of industry, depends chiefly upon the surplus of the value of their production over that of their consumption. Low prices of manufactured products are of far less consequence to them than an active demand for every kind of farm products, and a high exchangeable value for those products. If protective duties result in the extension of the agricultural market, they cannot lose by the rise in price of manufactured goods, and they incur no sacrifice for the benefit of the manufacturer. Now this result never fails of being exhibited in every country having a vocation for manufactures, and this exhibition is often very complete in the first stages of the manufacturing career of nations; because, in that period, the chief part of the capital employed in new industries is devoted to houses, factories, waterworks, etc., an investment of general advantage to the agriculturist. But if at the beginning the benefits which result from an enlargement of their market, and from the increase in value of their products, largely compensate the inconvenience of the enhanced price of manufactured products, this favorable tendency is strengthened in the progress of time; for, whilst the increase of manufactures enhances the demand for the products of the soil, it diminishes the price of manufactured goods.

The well-being of the farmer, and particularly of the landowner, exacts that the value of his instruments, that is, of his property, shall at the least be sustained. It is a principal condition, not only of his welfare, but often of his whole material existence. It is not seldom indeed, that whilst the cultivator

produces yearly more than he consumes, he is nevertheless ruined. This happens when credit is shaken, at the moment when his property is encumbered with mortgages; when, on the one hand, the demand for money exceeds the supply, and when, on the other, the supply of land exceeds the demand. At such times, the withdrawal of money lent, and the large quantities of land offered for sale, involve a depreciation of farm property, and a great number of the most enterprising, the most skilful, and the best managers among the cultivators are ruined, not because their consumption surpasses their production, but because their property, the investment of their labor, has lost in their hands, from causes not under their control, a great part of its value; because their credit has been injured, and because the amount of the mortgages which encumber their property is no longer in the same ratio with the value of that property in money. Such revulsions burst forth more than once during the last century in Germany, and more recently in the United States, and in this way a large number of the German nobility have lost their estates without understanding that they were indebted for their ruin to the policy of their brother nobles of England, — men, no doubt, of excellent intentions.

Very different is the condition of farmers or land-owners in countries where manufactures are in full and successful operation. There, whilst the fertility of the soil increases as well as the price of farm products, profit is made not only on the surplus of their production over that of their consumption, but proprietors obtain with an increase of the rent of their land a proportionate increase of their capital. Their property doubles and triples in exchangeable value; not because they labor more, or better improve their fields, or because they save more; they owe this increased value to manufactures. Then they have the means and the desire to redouble their exertions for the improvement of their lands, for the increase of their cattle, for economy of their earnings, though they indulge in a larger consumption. Their property having acquired greater value, their credit augments, and they are better able to procure the material capital required to make improvements.

Smith says nothing of the influence exerted by this exchangeable value of lands. Say is of opinion that the exchangeable value is of no importance, since, whether at low or at high prices, their productive agency is always the same. It is sad to find an author whom German translators have held up as a qualified teacher of the nation, expressing an opinion so erroneous upon a question which so deeply concerns the prosperity of nations. We believe we are able to prove, on the contrary, that there is no more certain index of national prosperity than the rise and the fall of the exchangeable value of land, and that fluctuations and revulsions in its value must be regarded among the most fatal pests that can befall a country.

The School has been led astray by its attachment to the theory of free trade, as it pleases the School to understand it; for nowhere do fluctuations and revulsions in the real estate markets fall heavier than upon an agricultural population, having free trade with a rich and powerful manufacturing nation.

Foreign commerce, it is true, tends to raise both rents and the value of land, but with much less energy, uniformity and persistence than manufacturing industry, or the constant increase of domestic industry, and the exchange of its products for those of domestic agriculture.

So long as a nation still possesses a great extent of uncultivated or badly cultivated lands—so long as it produces important commodities, which manufacturing nations, richer than itself, receive in exchange for their manufactured articles, the transport of which may be easy—so long as the demand for those articles continues and increases yearly, neither interrupted by war nor by restrictive measures, foreign trade exerts a powerful influence towards the elevation of rents and the value of the soil. But let any of these conditions be wanting, or cease, and progress will not only come to an end, but a retrograde movement, decided and continuous, will probably occur.

Nothing exerts a worse influence in this respect than the fluctuations of foreign demand; as when a war, a bad crop, the failure of certain supplies, or any other circumstances, beget in a manufacturing nation a great deficiency of food and raw mate-

rials in general, or of certain important articles in particular, and when afterwards, peace, a full crop, larger importations from other countries, or legislative measures, mainly cut off this demand. If the change lasts but a short time, an agricultural country may derive some advantage from it; but if protracted for a series of years, the whole circumstances of the country, and all its private economy, will be regulated in accordance. The producer accommodates himself to enlarged consumption; comforts, which in any other circumstances he would have considered as luxuries, become necessaries. His income and the value of his property both increased, he is encouraged to undertake improvements and ameliorations, to make acquisitions, which he would never else have made. Purchases and sales, leases and loans, will be made at the rates of the increased value of the land and its higher rent. The state itself will not hesitate to increase its expenses in proportion as the welfare of individuals is increased. But let this demand cease suddenly, and the equilibrium is lost between production and consumption—between depreciated values and the amount for which they are pledged, and of which the money value does not diminish—between the money rents of farms and the whole product of the land in money—between the income and the expenses of the country; all which involves bankruptcy, embarrassment, discouragement and recoil in material development, as well as in moral and political culture. Agricultural prosperity has thus enjoyed a stimulus like opium or strong liquors; for a while, it was excited, to be enfeebled forever thereafter; it is Franklin's lightning, which for a moment casts a brilliant light upon surrounding objects, only to replunge them in a deeper darkness.

A transient prosperity in agriculture is far less desirable than less success if permanent; to be advantageous to individuals as to nations, it must be durable. It will be durable if its growth is gradual, and if the country possesses guarantees for this increase and this duration. A low exchangeable value of land is to be preferred to fluctuating value; a constant and regular rise alone can secure to a country lasting prosperity; and the existence of manufacturing industry in a well consti-

tuted nation is the best guarantee of regular and continued progress.

We are as yet but little enlightened in regard to the influence of domestic manufactures, upon rents, and the value of the soil, in comparison with that which is exercised by foreign commerce. We see this in the proprietors of vineyards in France, who regard the protective system as injurious to them, and in the hope of raising their rents claim the largest liberty of exchange with England.

The report of Dr. Bowring on the commercial relations between England and France, a report intended to exhibit the advantage of a larger importation of English manufactures, and, of course, a larger export of wines from France, contains facts and statements the most conclusive against the argument of its author.

Dr. Bowring compares the importation into the Netherlands of French wines (2,515,193 gallons,) with one import into England (431,509 gallons,) to show the extent to which French wines might find a market in England if trade were free.

Now suppose, which is very improbable, that the sale of French wine meets no obstacle in the preference of the inhabitants for spirituous liquors, strong beer, the cheap and strong wines of Portugal, Spain, Sicily, Teneriffe, Madeira, and the Cape — suppose that England increases her actual consumption of French wines in the proportion of Netherlands, the consumption, calculated according to the population, would reach five or six millions of gallons, and would be, consequently, ten or fifteen times more than at present.

At first sight this would appear to be for France and French vineyards a brilliant prospect; but, examined more closely, a very different opinion may strike us.

Under the greatest possible liberty of commerce, we will not say absolute free trade, though Dr. Bowring's principles and arguments authorize us to do so, it cannot be doubted that England would obtain possession, to a great extent, of the French market for her manufactures, especially her woollen stuffs, her cotton goods, her linen, her iron, hardware and crockery. At

the lowest estimate, we may admit, that manufactured products being thus reduced in France, there would be a million of men less in the cities, and a million of men less would be employed in the fields, supplying the cities with raw materials and food. Now, Dr. Bowring himself estimates the consumption of the inhabitants of the country at 16½ gallons a head, and that of the inhabitants of cities at double, or 33 gallons. The diminution of the manufacturing industry of the country, thus brought about by free trade, would then result in a reduction of the domestic consumption of wines of 50 millions of gallons, whilst the export would be increased but 5 or 6 millions. An operation by which a certain loss in the domestic consumption would be ten times greater than the eventual gain from abroad could hardly be esteemed of advantage to the cultivators of the vine in France.

In short, it is with the production of wine, as with that of meal, corn, and food generally, as well as of raw materials, in a great country having a vocation for manufacturing industry; the production of the manufactures of the country occasions a ten or twenty-fold greater demand for the agricultural products of the temperate zone, and exerts, of course, a proportionably greater influence upon rents, and upon the exchangeable value of lands, than the most active exportation of the same products. The rate of rents and the exchangeable value of land in the vicinity of a great city, compared with the same in remoter districts, though connected with the former by roads and the relations of business, furnish the most conclusive evidence of this.

The theory of rent may be considered taking value as the point of view, or from the point of productive power; private interest may also be taken into account; for instance, the relations between land-owners, tenants, and laborers; or public and national interest may be the chief object in view. The School has generally looked upon this theory from the side of private economy. So far as we know, for instance, it has never been explained why the consumption of rent is more advantageous when it takes place near to the point of production; why, nevertheless. in different

States, rent is generally consumed where the sovereign resides in capitals or large cities, far from the districts in which it has been produced, and of course in a manner of less advantage to agriculture, to the useful arts, and to the development of the intellectual power of the country. Where the landed nobility possess neither privileges of any kind, nor political influence, unless it be that of living at court, or being in the employ of the sovereign, where all public power is concentrated in the capital, land-owners are attracted toward that central point, unable to find elsewhere the means of satisfying their ambition, and the opportunity of spending pleasantly their income.

The more a large proportion of them become accustomed to life in the capital, and the less life in the province affords to each individual the social intercourse, and delicate enjoyment, suited at once to body and mind; the more the province repels, the more the capital attracts them. The province thus loses almost all its means of progress, means which the consumption of its rent would have furnished, but especially those manufactures and that intellectual labor which the consumption of rent would have encouraged and sustained; the chief cities carry off these advantages. The capital shines in the concentrated benefit of all the talents, education, and nearly all the industry devoted to luxury. But the provinces are thus deprived of the intellectual power, of the material means, and particularly of those branches of industry which aid and encourage the cultivation and improvement of land. This explains, in a good degree, why, in France, during the period of absolute monarchy, with a capital surpassing in splendor and intelligence all the continental cities of Europe, agriculture made such small progress, and why intellectual culture and the useful arts have advanced so little in the provinces. But in proportion as landed nobility became more independent of the sovereign, and obtained more influence over legislation and in the public administration; as the representative system and the administrative organization became extended over cities and provinces, giving them the privilege of managing their affairs, and of participating in the legislation

and administration of the country, and as it becomes possible to obtain more consideration and influence in the provinces and by the provinces, the landed nobility, the educated and wealthy commoners become more reconciled to remain in the districts whence they derive their income; the consumption of rent then begins at once to exercise a favorable influence upon the development of intellectual power, upon social institutions, upon the progress of agriculture, and, in the interior of the provinces, upon the progress of the more useful departments of industry.

The economical condition of England may be cited in support of this remark. The sojourn of the English proprietors, upon their estates, during the greater part of the year, contributes, in various ways, to the prosperity of agriculture; directly, because the proprietor devotes a part of his income to agricultural enterprises and improvements, or by giving aid to his tenants; indirectly, because his consumption sustains the manufactures and the intellectual activity of the vicinity. Such is, in part, the cause why, in Germany and Switzerland, where, although destitute of great cities, and the best means of communication on a large scale, and of great national institutions, agriculture and civilization in general are much more advanced than in France.

The greatest error, however, made by Adam Smith and his School in this matter, is that which we have already indicated, but which we shall now more fully notice; that is, not clearly comprehending and imperfectly stating the influence of manufactures on the increase of rent, the exchangeable value of property in land and agricultural capital, and opposing agricultural to manufacturing industry, by representing the former as much more important to the country, as the source of a much more durable prosperity. In all this, Smith has only prolonged the error of the physiocrats, though not without modifications. It is plain that he has been deceived by the fact, that in countries the most devoted to manufactures, as has been shown in the case of England from actual statistics, the material capital of agriculture is ten or twenty-fold greater than that of manufacturing industry, and that the yearly production of the one vastly

surpasses in value the collective capital of the other.* The physiocrats may perhaps have been led by the same fact to exaggerate the merit of agriculture in opposition to manufacturing industry. Superficial observation may lead to the conclusion, indeed, that as agriculture creates ten times more wealth, it should of course stand ten-fold higher in our esteem, and be regarded as ten-fold more important than manufactures. But this is only in appearance. When we seek the causes of the prosperity of agriculture, we find the most important to be manufacturing industry. The 218 millions sterling of manufacturing capital have, in great part, called into existence the agricultural capital of 3,311 millions. This influence has been direct, as in the case of improved means of communication the capital expended in the construction of a canal, is that which increases the value of the lands situated within the range of its business. If it ceases to be employed as a canal for transportation, if the water is diverted to the purposes of irrigation of meadows, that is to the apparent advantage of agriculture and of the rent of land; and if the value of the meadows be thus increased to the amount of millions, this change, apparently useful to agriculture, will diminish in a proportion ten-

* We read in the *Wealth of Nations*, Book II., Chap. V., that of all the modes in which capital can be employed, agriculture is, without contradiction, the most advantageous. Nature, it is there said, has done nothing for man in manufactures; so, not only does the capital employed in the culture of land bring into activity a greater quantity of productive labor than a like capital employed in manufactures, but it adds a greater value to the annual product of the earth, and of the labor of the country. This includes a material error which our author has refuted. Adam Smith, however, although influenced by the doctrines of the physiocrats, was very far from partaking of their prejudices against manufacturers; in the criticism upon their system which is found in Chap. IX. of Book IV., he shows specially his perfect comprehension of that close union between agriculture and manufacturing industry, which List has here so vigorously sketched:— "Whatever besides tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market, the most important of all markets for the rude produce of the land, and thereby still further to discourage agriculture." — [H. R.]

fold greater, the collective value of the properties situated near the canal.

From this point of view, the fact that the manufacturing capital of a country is small, compared with its agricultural capital, leads to conclusions very different from those which have been deduced by the present School, and that which preceded it.

Hence, it follows that the maintenance and the extension of manufacturing industry are the more important to agriculturists even in regard to agriculture, as it employs or absorbs but a small capital. It must then be obvious to agriculturists, and especially to proprietors who are in reception of rents, that their interest is to establish and sustain manufactures in the country, even at the risk and trouble of applying a portion of their own capital, without hope of return, to that purpose, just as it is advantageous to construct roads, canals, and railways, without receiving from them any direct income. If we regard in this light the very indispensable manufacture of flour and meal, so useful to agriculture, the justness of our remark will appear obvious. Compare the value of land and the rate of rents in districts where there are no flour-mills within the reach of cultivators, with other places where that manufacture is fully pursued, and it will be seen, at once, what a powerful influence this single industry exerts: that of lands of equal fertility, those which have commercial access to flouring-mills are increased in value, not merely double, but even ten or twenty times the amount of the capital invested in the mills, and that proprietors will find a sure advantage in building such mills at their common expense, and in delivering them as a present to the miller. This, in fact, takes place frequently in the more secluded districts of North America, where, when the millers have not sufficient capital to construct the proper mills entirely at their own expense, the proprietors willingly lend their assistance by manual labor, cartage, delivery of timber, and in other ways. The same thing takes place also, though in a different form, in countries of older culture; no doubt the privileges of the seignorial mills have had their origin in an agreement be-

tween the lord and the cultivators, by which they bound themselves to resort to mills built at their instance.

What we say of corn-mills, can be said too of saw-mills, oil-mills, plaster-mills, forges, etc.; it is easy to prove that rents and the value of the soil are always increasing in proportion as the lands are in the vicinity of such works, and as the latter are in more intimate connexion with agriculture.

And why should it not be so with manufactures of wool, linen, flax, hemp, paper, and cotton, and other branches of manufacturing industry? Do we not see the rent and the value of the soil augment everywhere in proportion as the land is nearer to a city and as the city is more or less populous and industrious? If in small districts we calculate, on the one hand, the value of the farm land and of the capital employed in them, and on the other hand that of the capital invested in manufactures, and if we compare them together, we shall always find that the former is ten-fold greater than the latter. It would be folly to conclude thence, that it is more advantageous for a nation to devote its material capital to agriculture than to manufacturing industry, and that agriculture is of itself more favorable to the increase of capital. The increase of the material capital of agriculture depends, in great part, on the material capital of manufacturing industry, and the nations that disregard this truth, however favored they may be by nature for husbandry, not only do not advance in wealth, in population, civilization and power, but they retrograde.

It is not, however, uncommon for land-owners to regard this policy, which is designed to introduce manufacturing industry into a country, as a special privilege, if not a monopoly, conferred upon manufacturers, and of which the burden falls upon them. Those who, in the beginning, prize so highly the advantages which the proximity of flouring-mills, saw-mills, or forges affords them, that they do not hesitate to co-operate in erecting them to the extent of considerable sacrifices, should not fail to comprehend, in a more advanced stage of civilization, the immense benefits derived by agriculture from a fully developed national manufacturing industry, and how very important it is to submit

to the sacrifices needful to attain and secure such advantages. The reason is, that except in a few highly advanced nations, proprietors understand very well their immediate interests, but are blind to those more indirect or remote.

Nor must it be forgotten that the reigning theory has contributed its full share in disturbing the opinions of the proprietors. Adam Smith and Say have exerted themselves, on the one hand, to brand the efforts of manufacturers to secure protection for their industry as the dictates of selfishness; and, on the other, to boast of the generosity and disinterestedness of proprietors as if they were very far from claiming for themselves such favors.*

One would think that the attention of land-owners being thus turned towards this disinterestedness attributed to them as a great virtue, they had been induced to give it up as unprofitable. For in most of the important manufacturing States the proprietors of the present day have sought and obtained protection by duties, and this to their great prejudice, as we have heretofore shown. When, previously, proprietors incurred certain sacrifices to naturalize manufacturing industry, they acted just like the cultivators in the remote places who contribute to the building of mills and forges in their own neighborhoods. When in our time protection is claimed by agriculture, it is as if the cultivator of whom we were speaking, after having assisted in the construction of a mill, should ask the miller to assist him in the culture of his lands. This would be a foolish demand. Agriculture can flourish, rents and the value of land can advance, only in proportion as manufactures and trade flourish, and manufactures cannot prosper where the import of raw materials and food is impeded. This is everywhere understood by manu-

* Smith, in particular, exhibits for land-owners a partiality, and a prejudice against manufacturers, which is surprising in so liberal a mind. He carries it so far as to pretend that the private interest of proprietors is always identical with the public interests. What would he now say on seeing his doctrine of free trade introduced by the manufacturers, for whom he had so little esteem, and made the law of the land in spite of the selfish opposition of landed proprietors, upon whom he lavishes so many eulogies? —[H. R.]

facturers. If, however, proprietors have, in most of the great States, obtained protective duties, there has been for this a double cause. In the representative States their influence on legislation has been powerful, and manufacturers have not ventured to oppose vigorously their foolish attempts, from apprehension of making the proprietors favorable to free trade; they preferred making terms with them.

The School has, moreover, insinuated to owners of land that it was as extravagant to establish manufactures by factitious means as to produce wine in hot-houses in a frigid clime, that manufactures come of their own accord in the natural course of events, that agriculture offers many more chances of increasing capital, that the capital of a country cannot be augmented by any artificial methods, that the intervention of law and public regulation can only give it a direction less favorable to the development of wealth.

Finally, as the influence of manufacturing industry upon agriculture could not be disregarded, it has been attempted to prove that influence to be both feeble and vague. Manufactures, it is said, have indeed an influence on agriculture, and what is injurious to manufactures is injurious to agriculture; but of course they tend to advance the rent of land only indirectly: what directly influences rent, is the increase of population, of cattle, rural improvements, and the amelioration of routes of transportation. This distinction between direct and indirect influences, recalls similar distinctions made by the School; as, for example, in regard to intellectual production; and here we may again resort to a comparison we have already used: The fruit of the tree would be clearly indirect, in the sense of the School, because it grows upon the twig, which is the product of the branch, which is the product of the trunk, which proceeds from the root, which is the only direct product of the ground. Is it not altogether sophistical, to represent the population, cattle, railroads, canals, and roads, as direct causes, and manufacturing industry as an indirect cause of the rise of rents, when a simple glance at a large manufacturing country shows that manufactures are the principal causes of the increase of population, cattle, railways,

canals, roads, etc.? Is it logical or consistent to refer these effects to their cause, manufactures; then to represent them as principal causes, and subordinate them to manufactures as an indirect, and in some sort, accessory cause? What could so becloud a clear mind like that of Adam Smith, as to induce him to give way to reasoning so incorrect — so at variance with the nature of things, if the intention were not to cast into the shade manufactures, and their influence on the national prosperity and power in general, upon the advance of rents and upon the value of the soil in particular? And why that, if not to escape explanations, the result of which would have been strongly in favor of protection?

Since Adam Smith, the School has in general been unfortunate in its researches into the nature of rent. Ricardo, and after him, Mill, McCulloch, and others, are of opinion that rent is the price of the natural fertility of the soil.* The first named has, upon this idea, constructed quite a system. An excursion into Canada would have afforded him proofs, in every valley and on every hill, that his theory was built upon sand. But having only England in view, he falls into the error of supposing that the English fields and meadows, the apparent natural fertility of which produces such large returns in the shape of rent, have been always the same. The natural fertility of the soil is at the beginning so insignificant, and yields its owner so small a surplus of products, that it scarcely deserves the name of rent. The whole of Canada, in its primitive state, inhabited

* Mr. Richelot, in a note to the French translation at this point, reproves the author for the light manner in which he here speaks of the various theories of rent. We do not reproduce his remarks, because we regard the multifarious speculations and theories of political economists on the subject of rent as so imperfect and unsatisfactory, that we cannot reproach List for his want of respect for them. However contradictory opinions are upon all the principal topics of political economy, the doctrine of rent seems the most unsettled of all. We frankly confess we have seen no theory on that subject to which we can subscribe. It is the opinion of many that our own distinguished economist, Mr. Carey, has very effectually refuted the more popular European theories of rent. That is a real service to science. — [S. C.]

only by hunters, would hardly have yielded in meat and skins a sufficient income to pay a professor of political economy at Oxford. The natural productive capacity of the soil in the island of Malta consists of stones, from which it would be very difficult to obtain a rent. If we follow the traces of civilization among nations, their transition from the condition of hunters to that of shepherds, from the latter to that of husbandmen, we shall readily understand that everywhere land yielded at first no rent, and that rents have arisen with the progress of culture and population, with the increase of intellectual and material capital. If we compare a purely agricultural nation with a nation at once agricultural, manufacturing and mercantile, we shall find that there are twenty-fold more persons living on the rent of land in the latter than in the former. According to Marshal's Statistics of Great Britain, the population of England and Scotland amounted, in 1831, to 16,537,398, of whom 1,116,398 were receivers of rents. In Poland, in the same extent of territory, the twentieth of this number could scarcely have been found.

If, from these general remarks we descend to particulars, and if we inquire what has determined the rent of each farm, we shall find everywhere that it is the result of a productive capacity, which, far from being a liberality of nature, has been created by the application of labor, of intellect, and material capital, directly or indirectly applied to each farm, and by the progress of society in general. There are, it is true, lands never touched by the hand of man which pay rent, for instance, quarries, sand-pits, and pastures; but this rent is only the effect of increase of culture, capital, and population in the vicinity. On the other hand, it must be noted that the lands yielding the highest rents are those the natural fertility of which has been completely annihilated, as in the case of lands occupied for building purposes.

The principle of rent is the exclusive benefit which the owners of land derive from its exclusive possession, and the extent of that benefit is measured by the existing intellectual and material capital in society; the advantage of particular localities, special

qualities of soil, and the capital employed, must also be taken into account in ascertaining the sum of the benefits to be received by the owner of land in the shape of rent.

Rent is the interest of capital invested in land, a fixed revenue issuing out of land. But the soil of a country of which the lands are cultivated in the imperfect way, which is the custom in nations purely agricultural, must be rented at far less rates, and the fixed income or revenue issuing from lands thus employed, must be far less than in a country uniting agriculture with manufactures. The proprietors of the former live, for the most part, in the country from which they purchase their manufactured articles. But when a nation, the agriculture and population of which have already made considerable progress, establishes manufactures, it capitalizes not only its land, as remarked in a former chapter, but that natural power, so especially available in manufactures, and which before may have been wholly without value, but also the greatest part of the manufacturing power employed in the service of agriculture. The increase of rents is of course much greater than the interest of the material capital necessary for the establishment of manufactures.*

* The influence of manufacturing industry upon agricultural prosperity has been long remarked and acknowledged. Josiah Child, an old English writer, compared land and industry to twins who grow and thrive together, and who sicken and perish at the same time. Hume's *Essay on Commerce*, and the Chapter on the *Wealth of Nations*, which has for its title, *How the commerce of the towns contributed to the improvement of the country*, maintains the same proposition. It is constantly seen in the English parliamentary reports and debates on the subject of imports. In handling it in the foregoing chapter, List brings to it not only his usual vigor, but he regards it from a different point of view. His remarks are the more worthy of attention, as it is not rare to hear among us pretended friends of agriculture declaiming against manufacturing industry. — [H. R.]

It is surprising that it is still necessary to make such explanations as are found in the text and note above. The manufacturers, as a class, could not exist if their products were not wanted: if their products are wanted, the producers are a necessary class. If clothing, and houses, and furniture, are not as essential to life as food, they are nevertheless, by general consent, regarded as necessaries of life. In the present stage of society, it is

CHAPTER XI.

MANUFACTURING INDUSTRY AND COMMERCE.

We have spoken hitherto only of the relations existing between agriculture and manufacturing industry, because these alone constitute the essential elements of national production, and because, without having previously a clear idea of those relations, we cannot understand exactly the functions and the

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a folly to make distinctions between the several classes of producers as to their respective importance. All are equally important and indispensable to society as at present constituted. Society has so apportioned its productive labor for its own purposes. The manufacturer who furnishes the materials for clothes, for furniture, for buildings, is just as valuable a member of the community as the farmer who furnishes wheat and beef. The mutual exchange of mutual productions, which goes on between the different classes of producers, is of their own arranging, and for mutual advantage. They are equally necessary to each other, and to all the non-producing classes. How then, in an economical point of view, can any distinction be made as to the respective importance of each? If the farmer must wear the product of the loom, he is as much favored when he receives it as the manufacturer is in the receipt of flour and beef. The real problem of political economy is to place all the parties who thus consume each other's products side by side, that the agriculturist may have a market for those products of his land which, from their bulk and nature, will not bear distant transportation. If we suppose land to be cultivated according to the most approved mode of modern agriculture, including, of course, that rotation of crops, and that proportion of the heavy commodities, such as potatoes, turnips, and other roots, fresh meat, vegetables, fruit, &c., which are abundantly produced by good farming, then the land which has a market near home for this whole product can sustain many times as large a population as that which has a market only for its cereal crops.

The agriculture of the United States could not feed five millions of people in Europe; it could not even furnish such a population with bread at that distance; but it could, if they were properly distributed over its whole surface, and by a proper system of farming, feed at home a hundred millions from land now in cultivation. A large population, thus distributed, minister to each other's wants with such economy and mutual advantage, that their own wants are not only fully supplied, but a large surplus is left for foreign trade and the purchase of such articles as their own country

particular character of trade; doubtless trade is productive, as maintained by the School, but it is productive in quite a different sense from agriculture and manufacturing industry. The two latter produce the articles which trade receives and distributes; commerce is the medium of exchange between agriculturists and manufacturers, between producers and consumers.* Hence, it

does not produce. Land, in such circumstances, rises to its highest value, and industry has its fullest reward. The product of industry is not only the largest, but the expenses of the distribution or mutual exchange are the smallest. The system of industry for that country, agricultural, manufacturing, and commercial, is complete. To accomplish such a desirable result, every country must complete its own system before it mingles in that of another, and before it permits disturbing influences from other countries. — [S. C.]

* Commerce is strictly an agency of industry. Its object is to distribute to consumers the productions of labor. It is, to a certain extent, an indispensable agency, but only in the same sense as warehouses, roads, ships, wagons, and money. It is an expensive agency, and is therefore to be dispensed with whenever it can be with advantage; and its expenses are always to be kept to the lowest point consistent with its effective operations. The production of commodities and their consumption being the object of industry, the less the charges upon the distribution the greater the advantage to the producers and consumers. This is equally true, whether applied to foreign or domestic trade.

It is from overlooking these plain truths that some of the chief errors of political economists have arisen. The mercantile theory of the past century, and the commercial theory, which makes free trade its leading dogma, of the present day, both treat commerce as a principal, and not an agent. From this point of view, both exaggerate its importance, as well as mistake its true position, in political economy. Every operation and attribute of commerce must be considered in subserviency to industry and the interests of producers and consumers. Commerce is not to have any control or direction of industry: its business is to listen to the wants of the people, to the demand of consumers, and to obtain the commodities which will supply these wants, and convey them by the various channels of trade from producers to consumers. It cannot be doubted that every facility ought to be afforded to this agency, that its expenses may be reduced. But, the business being subordinate to industry, its facilities should be subordinate, and not likely to inflict any injury. Every nation, having its own system of industry, and being dependent upon that for nine-tenths of its consumption, any movement of foreign trade which would disturb or paralyze this home industry, might prove a serious evil to producers, and of course to consumers.

follows that trade should be regulated according to the requirements of agricultural and manufacturing industry, and not agri-

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The idea of the old mercantile theory then, that wealth was chiefly to be sought in foreign trade, and in a favorable balance which would bring in money, and the idea of the reigning School that all that is needful for industry is to make trade entirely free of all restraints, are equally unsound and unscientific. They both overlook the great fact that man lives by labor, and not by commerce. Labor and production must be the starting-point from which all economical conclusions must be developped. The older theory errs in looking upon money as the chief item of wealth, and upon foreign trade as the chief road to wealth. If, when Great Britain is alleged to have been unduly devoted to the mercantile system, she had ten millions of inhabitants who were well clad and fed, this involved an annual industry of nearly one hundred millions; or say, to the average of ten pounds sterling for each individual of the population; or if this be considered a large estimate for the value of the average consumption of the people of Great Britain from the middle of the seventeenth to the middle of the eighteenth century, call it seven pounds each, which implies a home industry of seventy millions for clothing and food, beside what was applied to buildings and furniture. The people of Great Britain then, expended in that period, on their clothing and food annually, seventy millions; but the foreign commerce of the country, during that period, did not average over seven millions yearly; so that the people were indebted to their home industry for sixty-three millions out of seventy of their consumption. Their wealth consisted in the means of producing this seventy millions, and in being able to consume it. The ability to bring home one or two millions of the seven millions of their imports in gold and silver was of small account. When received, it was no more wealth than the clothes on their backs and the corn in their cribs. The wealth of a nation cannot be estimated by what it exports or imports, for this must always be a small proportion of its whole production, but by what the people actually consume, and can afford to consume. A very large production of manufactured commodities, with an immense foreign trade, may be cotemporaneous with great poverty and severe privations among the people; just as the manufacturer may make and sell goods to the amount of a million yearly, without profit enough to support his family.

We have said that the reigning School fails in making the proper distinction between industry and trade. The old error consisted in over-estimating the importance of foreign trade as a means of obtaining money, deemed to be the chief, if not the sole constituent of wealth. The great error of the modern commercial theory is in looking upon international commerce as the sole and proper regulator of industry as a productive power. Instead of looking to the interests and welfare of the men who

cultural and manufacturing industry, according to the interests and the wants of commerce.

But the School has taken the counterpart of that maxim by adopting the motto of Gournay, "*Laissez faire, laissez passer*," a motto not less suitable to highwaymen, knaves, and swindlers, than to merchants, and which, for that very reason, should be regarded with suspicion. That insane doctrine which sacrifices the interests of agriculture and manufacturing industry to the pretensions of commerce, — to the claims of absolute free trade, is the natural offspring of a theory too fully preoccupied with values, and too little with productive power, and which regards the whole world as simply a republic of merchants, one and indivisible.

The School does not perceive that the merchants can attain their object, which is wealth, by profits upon the commodities which pass through their hands even at the expense of agriculture and manufactures, at the expense of productive power, nay, even at the expense of national independence. They are under no necessity from the nature of their operations and purposes of regarding the effect which the goods they import or export have upon the morality, the prosperity, or the power of their country. They deal in poisons as readily as medicines. They enervate whole nations by means of opium and brandy. It is no concern for them whether their goods were legally imported or were smuggled, whether their business brings employment

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are the producers of wealth, its laws and doctrines are developed from a consideration of wealth, and its only regard for the interests of the laborer is shown in teaching that, if trade is free, and men are allowed to shape their own course in what regards trade and industry, all will come right with the masses of men who labor. The error involved in this is vital and very great. Men are so constituted, and so unequally endowed, that very few ever are or can be in a condition to make their free choice of occupation or mode of life. The liberty of industry and trade enures under this system to the favored few who have capital, talents, and position. These men will carry off all the advantages when unrestrained freedom is the rule. The very object of society is protection and strength for the weak. The strong, the rich, the prudent and the knowing, can take care of themselves; the government should take care of the multitudes who can pretend to few of these advantages. — [S. C.]

with bread to hundreds of thousands, or millions, or reduces as many to beggary, provided only the regular profit is realized. If their starving countrymen attempt by emigration to escape the miseries of unrequited labor or no labor at all, the profits of carrying them bring large gains to their coffers. In time of war they are ever ready for gain to supply the enemy with provisions, arms, and ammunition. They would sell to foreigners, if it were possible, even the cultivated fields and meadows, and after having extracted the last dollar from the industry of the country, and converted the land, as far as practicable, into money, they would embark on their own ships for other countries and new fields of profit.*

* Whatever be the exaggerations to which the maxim of *laissez passer* has given rise, it ought to be said the merchants, as such, have not been prominent advocates of free trade. It was advocated by the physiocrats as a benefit to the agricultural interests. "Foreign trade," said Quesnay, (5th Observation in his *Tableau Economique*,) "ought to be always wholly free, disembarrassed of all hindrances, and free of imposts, because it is by the communication it holds with foreign nations that it can obtain the highest possible price for the productions of the land. Smith and his disciples have combated protection as an interference of government in industry, and as an obstacle to a rational division of labor in general. It is well known that in some countries the agriculturists favor free trade, and in some the manufacturers, as their interest dictates; the merchants, for the most part, side with the particular interest with which they are more especially connected, whether agricultural or manufacturing.

It is evident that the passage above was written by List under unfavorable impressions made upon him by the commerce between the Hanse Towns and the great Fairs of Germany. The reproaches he utters against merchants might as well be made against farmers and manufacturers: he accuses the first, for instance, of furnishing to the enemy, in time of war, arms and munitions; but those who produce arms and munitions, are they not as guilty before their country? The truth is, that the interests of any class of individuals whatsoever may occasionally come in direct conflict with the public interests. It is curious to find an adversary of *laissez faire* and of *laissez passer* concur, without being aware of it perhaps, with the chief of the School of *laissez passer* and of *laissez faire*. Quesnay has written that *the private interests of merchants and the interests of the nation are opposed.* — [H. R.]

The famous formula, *laissez faire et laissez passer*, which contains in these few words the main dogma of the modern School, is attributed to

It is clear then, that the interests of merchants individually, and that of the commerce of whole nations, are things essentially distinct. So Montesquieu says, that which hinders or restrains merchants does not always equally restrain trade, and men are nowhere less troubled by commercial regulations than in countries where slavery prevails.* Trade fattens upon manufacturing industry and agriculture, and in our days no nation can have an important trade, domestic or foreign, if it has not carried to a high degree of perfection those two principal branches of production. It is true that formerly there were cities, or confederate cities, which found in foreign manufacturers and agriculturists the elements of a great intermediate commerce; but now, when large agricultural, manufacturing, and mercantile states have arisen, such an intermediate commerce as that enjoyed by the Hanse Towns will never be again witnessed. At any rate, trade of this kind is so precarious that it scarcely deserves mention in comparison with that having for its basis the actual productions of the country.

The most important objects of internal trade are food, salt, fuel, timber, woven fabrics, implements of agriculture and

Gournay, a friend and disciple of Quesnay. It claims that merchants shall be allowed to do what they please, and omit what they please in their occupation. The great physiocrat who adopted the formula regarded this liberty of action or free trade only from the side of agriculture. He knew that the interests of merchants were often opposed to the public interests, but he thought if they were left free they could be useful in finding the best market for agricultural products. He little thought these words would become the formula of a School of Economists far more influential than his own, and that it would be lifted above its subordination to the interests of agriculture, and be made the sole patron of the interests of labor.

It is a striking fact that the modern School has adopted two great errors from their predecessors of the mercantile theory and the physiocrats. From the former they derive their devotion to foreign trade as the highest interest of a nation, and from the second their idea of free trade as the great means of promoting national wealth and rewarding industry. These points are main dogmas of the modern School, but are not, of course, original. They were main dogmas of two exploded Schools, whose doctrines are thus taken and pressed again upon the acceptance of the world. — [S. C.]

* *Esprit des Lois*, Book XX., Chap. XII.

manufacturing industry; these, with the raw materials, from the farm and from the mines, are the prime elements of manufactures. In a country where manufacturing industry has reached a high degree of perfection, this internal trade is vastly larger than in a merely agricultural country. In the latter, the consumption of the cultivator is reduced nearly to his own production. For want of an active demand for his various products, as well as facilities of transportation, he is obliged to produce for himself every thing he needs, whatever may be the special nature of his soil; for want of means of exchange he resorts to household industry for the chief part of his clothing and other necessary articles. Fuel, building materials, food, and minerals, have, in the absence of good roads, but a limited market, and cannot be exported to distant places; with this limited market and this restricted demand there can be no stimulus to economy and the formation of capital. So in purely agricultural countries, scarcely any capital is devoted to internal trade, and all products exposed to vicissitudes of temperature exhibit extraordinary fluctuations of price; dearness and famine are nowhere more to be feared than in exclusively agricultural nations.

It is the development of domestic manufactures and the improved modes of communication consequent upon them, and the increase of population, which promote the growth of internal trade until it becomes from ten to twenty times more important than the internal transactions of a purely agricultural nation, and five or ten times more than its own most flourishing external commerce. If we compare the internal trade of England with that of Poland and Spain, we shall find a confirmation of this remark.

The external commerce of the agricultural nations of the temperate zone, so long as it is confined to food and raw materials, cannot be considerable:

1st. Because an agricultural nation finds markets only in a small number of manufacturing nations, which have their own agriculture, and which, owing to their special facilities and skill, and the extension of their commerce, they practise with far greater success. A market thus enjoyed, can never be certain

nor constant. The commerce of rural products is always a matter of speculation, the profits of which enure chiefly to second-hand dealers, and but seldom to the advantage of agriculture, or the productive power of the country.

2d. Because the exchange of agricultural products for foreign manufactured articles, is frequently interrupted by commercial restrictions and by wars.

3d. Because such a trade is carried on only upon the sea and river shores, but does not concern the interior, nor the greatest part of the national territory.

4th. Because manufacturing nations find it their interest to import their food and raw materials from any quarter where they meet most ready sale for their fabrics. The sale of German wool in England is restricted by the production of Australia; the market for French and German wines, in the same country, by those of Spain, Portugal, and Sicily, as well as of Madeira, the Azores, and the Cape; and the sale of Prussian timber, by importations from Canada. The attempt is now making to supply England with cotton from the East Indies. If the English succeed in re-opening the ancient route of commerce — if the new State of Texas becomes firmly established — if civilization makes progress in Syria and Egypt, in Mexico, and in the States of South America, the cotton-planters of the United States will soon comprehend that the home market affords the surest, the most constant, and the most durable demand.

In the temperate zone, foreign commerce is sustained chiefly by national manufactures, and can neither be preserved nor increased but by means of manufacturing industry.

Nations producing at the lowest rates every kind of manufactured goods, can alone form commercial relations with countries of every clime and every grade of civilization; they alone are able to provide, not only for their existing wants, but they create new wants, and supply them also, having the capacity to take in return raw materials and commodities of every variety. Such nations only can freight their ships with that variety of goods required by countries remote and destitute of manufac-

tures. It is only when the freights of the outward voyage cover the expenses of the voyage, that the return cargo may be composed of goods of less value.

The people of the temperate zone import chiefly products of the Southern climes, such as sugar, coffee, cotton, tobacco, tea, dye-stuffs, cacao, spices, and such articles as are designated by the name of colonial goods. These commodities are, for the most part, paid for with manufactured articles. These exchanges explain specially the progress of industry in the manufacturing countries of the temperate zone, and those of civilization and labor in countries of the torrid zone. They constitute division of labor, and association of productive power, upon the largest scale. In ancient times, there was nothing like this great national exchange of goods, which is the work of the Dutch and the English.

Before the discovery of the Cape route, the East greatly surpassed Europe in manufactures. Except the precious metals, small quantities of cloth, arms, hardware, and some articles of luxury, European goods found there almost no market. The transportation by land enhanced the price of the articles brought back, as much as that of the goods exported. As to agricultural products, and common manufactured articles, no surplus of production existing in Europe, they could not be sold in exchange for silk and cotton goods, for sugar and spices, from the East. Whatever has been written on the importance of Eastern trade at that time, must be understood relatively; that commerce was important only at that time; it was insignificant compared with its present amount.

The trade in products of the torrid zone became more active from the time Europe began to receive from America large sums in the precious metals, and when the route by the Cape began to be commonly used. Nevertheless, it could not reach a vast development, so long as the East had more manufactured goods to sell than it required in return.

That trade is indebted for its present importance, to the colonization of Europeans in the East and West Indies, in North and South America — to the enlarged production of sugar

and coffee — to the increased growth of cotton, rice, indigo, etc. — to the introduction of African slaves in America and in the West Indies — to the remarkable success of European manufactures over those of the East Indies, and to the wide extension of Dutch and English domination; two nations, which, contrary to the policy of the Spaniards and Portuguese, have sought and found fortune rather in the exchange of manufactured articles for Southern commodities, than in pillage and extortions.

In our day, this trade occupies the larger part of the grand commercial marine of Europe, as well as of the mercantile and manufacturing capital which Europe devotes to external trade; it is applied to the goods which every year, to the value of many hundred millions, are sent from the torrid to the temperate zone, and paid for, with few exceptions, in manufactured articles.

The exchange of colonial goods for manufactured articles aids, in more than one respect, the productive power of countries in the temperate zone. Such commodities, for instance, as sugar, coffee, tea, tobacco, serve partly as stimulants to agricultural and manufacturing production, and partly as articles of aliment. The manufactures exported in exchange or payment for colonial goods, gives employment to a greater number of workmen, manufacturing being carried on upon a larger scale, and therefore with more economy and profit; a greater number of ships, sailors, tradesmen, find occupation, and, the population increasing from these various causes, the demand for agricultural products increases in an enormous proportion.

It is this co-relation between the manufacturing industry of the temperate zone and the production of the torrid zone, which explains why the English consume on the average two or three times more Southern productions than the French, three or four times more than the Germans, five or ten times more than the Poles.

One may judge of the extension of which the production of the warmer climates is susceptible, by an approximative estimate of the superficies of land now required for the culture of these commodities, as they appear now, found in the channels of trade.

If we value the present consumption of cotton at ten millions

of hundred weights,* and the product of an acre of land at only eight hundred weights (two bales), we find that that product requires only a million and a quarter of acres. The amount of sugar in trade being estimated at fourteen millions of hundred weights, and the product of an acre at ten hundred weights, one million and a half of acres would suffice for that production.

If we take for the other products, coffee, rice, indigo, spices, etc., as much space as for the two principal, the whole of the colonial goods now in the channels of trade would require but six or seven millions of acres, a surface which is probably not the fiftieth part of that which is adapted to the culture of those staples.

The English in the East Indies, the French in the Antilles, the Dutch in Java and Sumatra, have given us abundant proofs of rapid extension in the culture of those products.

England especially has quadrupled her importation of cotton from the East Indies, and the English papers boldly affirm that in a few years, if she obtains possession of the ancient route to the East Indies, that region will be able to furnish her with all of those commodities required for her consumption. This hope cannot be regarded as unreasonable, if we consider the immense extent of the Anglo-Indian Empire, the fertility of its soil, and the low price of labor in that country.

At the same time that England will extract all she can from the East Indies, the progress of Dutch culture in the Islands will keep its regular course, the dissolution of the Turkish Empire will restore to the work of production a large portion of Africa, as well as of Western and Central Asia; the inhabitants of Texas will carry the civilization of North America over the whole territory of Mexico; regular governments will be established in South America, and they will favor the cultivation of a soil, the fertility of which is without bounds.

By a larger production than heretofore of their peculiar commodities, tropical countries will acquire the means of purchasing from countries of the temperate zone larger quantities of manufactured goods, and this enlargement of their markets

* About 2,500,000 bales, of 400 lbs. each.

will enable the latter to consume greater quantities of tropical products. Under favor of this development of production and this increase of the means of exchange, the trade between the cultivator of the tropical regions and the manufacturer of temperate climes, that is, the international trade of the world, will increase hereafter with a rapidity greatly exceeding that of the last century.

This mighty movement in the international commerce of the world, as it is even now seen, and as we may hope to see it in course of time, must be referred to several causes: to the remarkable progress of manufacturing industry, to the improvement of the means of communication, by water and by land, and to important events in the political world.

By machinery and by the progress of invention in the West the imperfect manufactures of the East have been annihilated to the great benefit of manufacturing industry in Europe; the latter has been enabled to furnish tropical countries with a large quantity of products manufactured and offered at such low prices as to supply abundant motives for the development of their productive power.

By the improvement of routes of transportation, tropical countries have been brought much nearer to those of the temperate zone; their intercourse has become less dangerous and more rapid, less expensive and more regular; they may still be incalculably improved, when steam navigation shall become more general, and when railroads shall have invaded even the interior of Asia, Africa, and South America.

By the separation of South America from Spain and Portugal, and by the virtual dissolution of the Turkish Empire, a vast extent of land has fallen into the common domain. Those countries, the most fertile in the world, are waiting impatiently for the kind guidance of civilized people into paths of order and security, of civilization and prosperity. They need first to be supplied with manufactured articles offered them in exchange for the products of their climes.

Thus we see for the manufacturing nations of Europe and for the United States, a field amply extensive for a large and pros-

perous development of manufactures, for an increased consum tion of tropical products, and for proportional development direct relations with the tropical countries.

CHAPTER XII.

MANUFACTURING INDUSTRY, NAVAL AND MERCANTILE MARINE, AND COLONIZATION.

MANUFACTURES based upon an extensive internal and exter commerce, are also the essential condition of a consideral merchant marine. Internal trade having especially for object the supply of manufacturers with fuel, building materi and food, coast and river navigation, cannot prosper in a pur agricultural State. The coasting trade is a nursery of seam and navigators, and a school for naval construction; the chi elements of a great merchant marine are wanting in agricultu countries.

As shown in a preceding chapter, the international tra chiefly consists in the exchange of manufactured goods for r materials and products of nature, and especially for tropi products. But agricultural countries of the temperate climes c offer to those of the torrid zone little which they do not alrea enjoy, or which they cannot produce, that is, of raw materi or food; hence, there can be no direct relations, and con quently no commerce by sea, between them and the latter co tries. Their consumption of tropical commodities must restricted to the quantity they can purchase with their agric tural products and raw materials from manufacturing a trading nations; their goods are thus obtained at second-ha But in the relations between an agricultural and a manufacturi commercial nation the latter will always enjoy the greatest p tion of the maritime transportation, even if it had not opportunity of seizing for itself the lion's share by the way commercial regulations or acts of navigation.

Independently of domestic trade and international commerce, maritime fisheries employ a vast number of ships; but generally agricultural nations remain almost strangers to that branch of industry, for the reason that a heavy demand for maritime products cannot arise in them, and that manufacturing countries, with a view to the interests of their shipping, reserve their own market for their own fisheries.

It is in the mercantile marine that fleets find their seamen and pilots; and experience has ever taught, that skilful seamen are not formed like soldiers — that their training must be upon the sea-coasts, in distant navigation, or in large fisheries. Naval power is therefore, in all nations, on a level with their maritime industry, and is consequently almost nothing in a purely agricultural country.

The crowning success of manufacturing industry, of internal and external trade, of an active coasting trade, of distant navigation, and great maritime fisheries — in a word, of a respectable naval power, lies in the possession of colonies.

The mother country supplies her colonies with manufactured goods, and receives in exchange the surplus of the latter in agricultural products and raw materials. This trade animates her manufactures, increases her population, as well as the demand for products of her own agriculture, and develops her shipping interests and naval power. Its surplus population and capital, its spirit of enterprise, finds in colonization an advantageous outlet, and it is largely indemnified for what it parts with. A considerable number of those who grow rich in colonies carry back their wealth to their parent country, or at least they spend their income in it.

Agricultural nations are not only unable to found colonies, but they can neither derive advantage from them, nor keep them. They cannot offer to colonies the products which they want; the latter already possess what the former can spare.

The exchange of manufactured articles for the products of the soil, is an essential condition of the present colonial trade. The United States of North America separated from England as soon as they felt the necessity, and were conscious

of the power, of becoming manufacturers, of building up a commercial marine, and entering upon a commerce with tropical countries; Canada will do the same, when a similar degree of development has been reached. Thus, too, in course of time, we shall see agricultural, manufacturing and commercial states rising in the temperate climes of Australia.

But, between countries of the temperate and those of the torrid zone, this exchange will be perpetual, for it accords with nature. This is the reason why the East Indies have been deprived by England of their manufacturing industry, and their independence; and all the warm regions of Asia and Africa must fall by degrees beneath the dominion of the manufacturing and commercial nations of the temperate zone; this is the reason, also, why the islands of the torrid zone will find it hard to break their colonial bonds, and the States of South America must always remain in a certain degree of dependence upon manufacturing and trading nations.

England is indebted for her immense colonial empire, to the overpowering influence of her manufactures; if other European nations desire to participate in the advantageous work of introducing civilization into savage countries, of civilizing barbarians, of restoring those people who, from being civilized men, have sunk to the condition of barbarians, they must commence developing their manufacturing industry, their mercantile marine, and their naval power. If they find their efforts obstructed by a nation assuming supremacy in manufactures, commerce, and shipping, they can only resort to an alliance among themselves to destroy or nullify such unwarrantable pretensions.

CHAPTER XIII.

MANUFACTURING INDUSTRY, AND THE INSTRUMENTS OF CIRCULATION.

If the experience of the last quarter of a century has in part proved the exactness of the principles professed by the ruling theory, in opposition to the doctrines of what is called the mercantile system, touching the circulation of the precious metals and the balance of trade, it has on the other hand brought to light grave errors in the theory itself.

Experience has more than once shown, especially in Russia and North America, that in agricultural nations where manufactures encounter the unchecked competition of a country which has already attained to manufacturing supremacy, the value of manufactured goods imported often exceeds, in an enormous proportion, that of the exported agricultural products; the result of which is sometimes a sudden and extraordinary shipment of the precious metals, causing disturbance in the economy of the nation, especially in its internal transactions, if they are based mainly upon a circulation of bills, and becoming the occasion of great commercial calamities.

Theorists maintain that the precious metals are obtained in the same way as other merchandise; that it is, in fact, of little importance whether the quantity of these metals in circulation be great or small, since the relative movement of prices is that which determines the dearness or the cheapness of merchandise; that a difference, in the course of exchange, operates as a premium to exportation, for the benefit of the country which for the time has incurred an unfavorable exchange; that accordingly the circulation of money and the equilibrium between imports and exports, as well as other economical relations of the country, could not be more surely and advantageously regulated than by the nature of things.

This reasoning is perfectly correct in regard to internal trade; it is applicable to relations between two cities, between city and

country, between two provinces of the same state, and two states belonging to the same union. The economist who should think that the equilibrium of imports and exports between the different States of the American Union, or those between the States of the German Confederation, or between England, Scotland, and Ireland, could be better regulated by measures of government and laws than by free trade, would be worthy of compassion. In the hypothesis of an union among all the nations of the world, the positions above stated would be perfectly conformable with the nature of things. But to admit them, in the present state of the world and its international trade, would be directly to contradict experience.

The imports and exports of independent nations are not at present regulated by what in theory is called the nature of things; they depend mostly on commercial policy and the power of a country, on its importance in the world, its influence over foreign nations, its colonial possessions and institutions of credit, finally, on peace and war. There are consequently relations altogether different from those which could exist among nations united in bonds political, legal, and administrative, in a state of perpetual peace and perfect unity of interests.

Let us consider, for example, the relations between England and the United States; if occasionally England pours a large quantity of manufactured goods into the market of the United States; if the Bank of England, by its high or low rate of discounts, facilitates or restrains to an extraordinary degree credit and exports for that country; if the American market is thus inundated with British goods to such a degree that they are sold in the United States at lower rates than in England, and at times even below the cost of production; if the United States are thus constantly indebted to England with an unfavorable exchange, it is certain that this unhappy condition of trade would find an easy remedy in the operation of absolute free trade. North America produces tobacco, timber, corn, and food of every kind at a price vastly lower than England. The more manufactured goods England exports to the United States, the more the American planter is stimulated to the production of equivalent

values; the more credit he enjoys, the more is he disposed to secure the means of meeting his engagements; the more exchange in England is adverse to the United States, the more exports of agricultural products from that country are encouraged, and the more successfully can the agriculturists of the United States compete with those of England.

Under favor of exports thus increased, the course of exchange would soon resume its level; it would even no longer exhibit any appreciable inequality, because it would be foreseen with certainty in the United States, that the debt contracted in the course of one year in consequence of increased imports of manufactured goods would be covered and paid during the next year by increased production and larger exports, effecting thus a complete adjustment. This would be the order of events, if relations between English manufacturers and American agriculturists encountered no greater obstacles than exist between the same English manufacturers and the agriculturists of Ireland. But it is not and cannot be so whilst England imposes upon American tobacco a duty from 500 to 1000 per cent. of its value, whilst by her tariff she prohibits the importation of timber and admits American grain only in seasons of scarcity. In this state of things the agricultural production of America cannot be brought into equilibrium with the consumption of English manufactured goods; the debt incurred in the purchase of these goods cannot be paid with agricultural products. The exports of the United States to England are confined to very narrow limits, whilst those of England to North America meet no obstacle; the course of exchange between the two countries cannot, therefore, be brought to par, and the debt of the United States to England can only be paid in the precious metals.

These exports of money removing the very basis of the banking system, involves the discredit of American banks, and consequently a general revolution in the value of property and in the commodities moving in the channels of trade; in a word, those disorganizing fluctuations of prices and of credit, which have afflicted the United States whenever they fail to adopt measures to keep their imports and their exports in equilibrium.

The fact that bankruptcy and the diminution of consum soon or late bring the exchange between the two countrie tolerable condition, is but sad consolation for the people o United States; for disturbances, revulsions in commerce credit, and the injury inflicted by reduced consumption productive power, upon the welfare of individuals, and public order, are evils admitting of but slow remedies, an disastrous consequences of which must, if frequently encount be necessarily durable.

The people of the United States will be no better pleas satisfied with the doctrine of the theorists, because it is of import whether the precious metals circulate in larger o quantities; because products are in fact only exchangeab products; and because it is immaterial for individuals wh this exchange be effected with more or less use of money imports little, undoubtedly, to the producer or the propriet a commodity, whether his property be worth 100 cents o francs, if with the 100 cents he can procure as many com ties as with the 100 francs. But high or low prices are o consequence than whether prices are regular and permane

If fluctuations of prices are frequent and great, muc rangement in the business of individuals, as well as i economy of society, must ensue. He who purchases raw rials at high prices, cannot be reimbursed for his outlay b of his manufactured products when prices are low. He purchases land, without paying the whole of the purchase-m becomes insolvent, and loses both land and money; for, b fall of prices, the value of the estate may not cover the an of the mortgage. He who rents land is ruined by the redu of prices, or becomes unable to meet his obligations. The the range of such extremes in prices, and the more frequently fluctuations occur, the more unfavorably is the economical dition of the country, and particularly its credit, affected. where are the disastrous effects of an extraordinary infl export of the precious metals exhibited more plainly, th countries which depend for their supply of manufactured and the sale of their agricultural products, entirely upon fo

markets, and in which trade is mainly based upon a circulation of paper.

It is known that the quantity of bank-notes which can be circulated in a country is regulated by the quantity of specie it possesses. Banks extend or limit their circulation of notes and their operations, in proportion to the quantity of precious metals in their vaults. If abundantly provided with specie of their own or upon deposit, liberal credits are given, and those who are debtors already are permitted to increase their debts; hence an increase in consumption, and a rise of prices, especially in the value of land. If, on the contrary, banks find their supply of specie gradually departing, they must not only withhold new credits, but reduce the amounts already granted, the effect of which must be to reduce the consumption of the debtors of the banks, and also the consumption of all who have relations with these debtors. In such countries, an extraordinary export of specie has consequently the result of disturbing the whole system of credit; the trade in every kind of merchandise; and especially the money value of real estate.

The cause of the last American commercial crisis, as well as of those preceding, has been sought in the organization of the banks and the circulation of notes. The truth is, the banks had their part in it, as may appear from the preceding remarks; but the grand cause of that crisis was, that since the adoption of the compromise act, the value of the manufactured goods imported from England had greatly exceeded that of the agricultural products exported from America; and that the United States had thus become debtor to England for several hundreds of millions, which they had not been able to pay with their products. What proves that these revulsions must be attributed to disproportionate importations is, that they constantly occurred when the return of peace or a reduction of duties induced an over-importation of manufactured goods; and that they never occurred when the duties were high enough to keep the importation of manufactures in equilibrium with the exportation of agricultural products.

Some have attempted to explain these revulsions by the large

amounts of capital employed in North America in the construction of canals and railroads, capital chiefly borrowed from Great Britain. The truth is, however, that these loans only helped to postpone for a few years a crisis, and to aggravate it; the loans were themselves caused by the want of equilibrium between imports and exports; and, without that circumstance, they neither would nor could ever have been contracted.

The United States becoming heavily indebted to England in consequence of a large importation of manufactured goods, the debt not being payable in agricultural products, could only be paid in the precious metals, or by the acceptance of the amount in American railroad, canal, bank, or public stocks, in which the English had much the advantage, as the exchange was greatly in their favor.

The more the importation of manufactured goods exceeded the exportation of agricultural products, and the livelier the demand for American stocks in England, the more the people of the United States were encouraged to undertake public works. On the other hand, in proportion as the capital embarked in these undertakings was larger in the United States of America, the greater was the demand for English manufactured goods, and at the same time the disproportion between importation and exportation was increased.

If on the one hand the importation of manufactured goods from England into the United States, was stimulated by the liberal discounts of American banks, on the other the bank of England contributed to the same result by liberal credits and low rates of discount. It appears from an official report of a committee on commerce and manufactures in England, that the bank, by its discounts in one instance, in a short time reduced its cash balance from eight to two millions sterling. By this it diminished for the benefit of English manufacturers the efficacy of the American protective system: at the same time it facilitated and encouraged the purchase in England of shares and public stocks from the United States. For, so long as money is at three per cent. interest in England, and American bonds

or stocks bear six or seven per cent., men will be found ready to invest their money at this advanced rate.

The state of things which caused the successive fall of American manufacturers, presented, however, the appearance of a great prosperity. For the agriculturists of the United States found among the laborers employed upon the public works, and paid with English capital, a market for a large portion of their products, which, under the operation of free trade, would have been sent to England; or which, under a protective system, suited to the fabrics of the country, would have been sold to the manufacturing population. But, under a separation of national interests, relations so unnatural could not last, and the rupture was fatal to North America, in proportion as it had been deferred. It was the case of a debtor whom his creditor may sustain longer by the aid of extended credits, but whose bankruptcy is only more fatal, because he has been permitted by his creditor to continue longer his disastrous operations.

The failure of American banks was brought about by an extraordinary export of precious metals from England to other countries, which was caused by the insufficiency of harvests, and by the protective system of the continent; for if the European markets had been open to the English, they would have paid for their extraordinary purchases of corn mainly by extraordinary exportations of manufactured products, which, if sold upon the continent, would soon have brought back the precious metals to England. No doubt the continental manufacturers would then have paid by their ruin the expense of the commercial operations between England and the United States.

But in the existing state of things the Bank of England could only extricate itself by limiting its credits and raising its rate of discount. The object of these measures was not only to put an end in England to the demand for American bonds and stocks, but also to force upon the market such as were in private hands. The United States were thus deprived of the advantage of meeting their current deficit by the emission of new debt; and payment of the entire indebtedness to England contracted during several years of over-trading, and by the transfer of

bonds, shares and stocks, was all at once demanded. It was then clearly seen that the specie circulating in America was the property of England. It was moreover seen that England could dispose, at her pleasure, of that specie, upon which rested the whole banking and credit system of the American Union, and that if she should so dispose of it, the whole edifice would tumble into ruins, like a castle of cards, and with it the value of estates in land, and consequently, the whole fortunes of a vast number of individuals.

The American banks tried to break their fall and save the country and themselves, by suspending specie payments; it was, in fact, the only alleviation in their power. On the one hand, they wished to gain time in which the debt of the United States might be diminished by the proceeds of a new crop of cotton, etc., and to pay gradually in this manner; on the other hand, they hoped, by the interruption of credits, to lessen the importation of manufactured goods from England, and to reduce it for the future to an equilibrium with the exports.

It is very doubtful whether the exportation of raw cotton can ever furnish the means of liquidating the importation of manufactured goods. For more than twenty years, in fact, the production of that article has constantly and greatly exceeded the consumption, so that the price has been constantly declining. Add to this that the manufacture of cotton has found a powerful competition in that of linen, recently so highly improved by the aid of machinery, and that the culture of cotton has greatly enlarged its area in the plantations of Texas, Egypt, Brazil, and the East Indies.* However that may be, it must be remarked that the exportation of cotton is of very little advantage to those States of the American Union which consume the most of the manufactured goods imported from England.

* The quantity of cotton imported by England in the financial year of 1854, was as follows:—

	Cwt.	Bales.
From the United States	5,879,006	1,763,000
" " East Indies	1,619,058	485,616
" " All other places	492,255	147,676

Reduced into bales of 360 lbs.

In those States especially in which the culture of corn and the breeding of cattle furnish the means of purchasing manufactured goods, a crisis of another kind is now impending. The American manufacturers have succumbed beneath the heavy importation of English manufactured goods. The surplus of population and capital has thus been diverted from this channel and turned towards the west. Each new plantation augments at first the demand for agricultural products, but after a few years furnishes itself a considerable surplus. This has been exemplified for many years, and continues to be the history of that country. The time is coming, then, when the Western States will forward by canals and railroads now in progress of construction, an enormous quantity of commodities to the markets of the Eastern States, where manufactories, having been obstructed if not overwhelmed by foreign competition, the number of consumers is diminished and continues to diminish. Hence, a depreciation of agricultural products and of land, must, to some extent, ensue, and if the Union does not adopt preventive measures against the monetary revulsions which so often desolate the country, as we have above indicated, serious if not fatal injury must often befall the agriculturists of the grain-growing States.

This exposition of the commercial relations between England and the United States teaches:—

1st. That a country greatly inferior to England in capital and manufactures cannot receive without limitation her manufactures but upon condition of becoming her permanent debtor, dependent upon her institutions of credit, and involved in the vortex of her agricultural, manufacturing, and commercial revulsions.

2d. That the Bank of England has been conducted with a view to the advantage of English manufacturers, and to the detriment of American manufacturers, and has thus aided in placing English manufactured articles at the lowest possible rates in the markets of the United States.

3d. That owing to the facilities thus offered to English manufacturers and American importers, the people of the United States have for many years consumed more imported goods,

more values than they could pay for in agricultural products, and for which payment could only be made by exporting stocks and public securities.

4th. That in such circumstances the Americans have employed in their banking business and in their circulation the specie which the Bank of England could, for the chief part, withdraw at its pleasure.

5th. That fluctuations in the money market exercise in every state of things a disastrous influence upon the economy of nations, but especially where an extensive circulation of paper is based upon a limited quantity of the precious metals.

6th. That such fluctuations and the revulsions produced by them cannot be prevented, and a solid system of credit established, without an equilibrium between the exports and imports.

7th. That such an equilibrium is established with the more difficulty if manufactured products from abroad are admitted to compete freely with those of the country, and if exports of the agricultural products of the country are restrained by foreign tariffs, and finally this equilibrium will be less disturbed in proportion as the country depends less on foreign parts for manufactured articles and a market for the products of its soil.

These lessons are confirmed by the experience of Russia.

The revulsions of public credit in the Russian Empire, so long as the market of that country remained open to inundations of English manufactured goods, are in the recollection of many persons; nothing like them has occurred since the establishment of the Russian tariff of 1821.

It is obvious that the reigning theory has fallen into the opposite extreme of what is called the mercantile system. It was undoubtedly wrong in that system to assume that the wealth of nations must consist in the precious metals, that a nation could become rich by exporting more goods than it imported, so as to produce a balance to be exacted in the precious metals. But the ruling theory errs also in maintaining that in the present state of the world the amount of coin circulating in a country is a matter of no importance; that the fear of having too little is

frivolous, and that the import of specie should rather be discouraged than its import encouraged. This indifference to the possession of the precious metals could only be just if the nations of the world were united in one grand confederation; if there existed no restrictions of any kind to prevent payment for manufactured goods in agricultural products; if the vicissitudes of war and peace no longer occasioned fluctuations in production, consumption, and in prices; if large establishments of credit sought not to extend their influence over nations for the special advantage of the nation to which they belong. But so long as separate nationalities exist, prudence enjoins upon the great States that commercial policy which will save them from monetary revulsions and such fluctuations in prices as derange their whole internal economy; and that end can only be attained by vigorously maintaining the equilibrium between manufacturing industry and agriculture, and between imports and exports.

It is manifest that the ruling theory has not distinguished in international commerce, between the possession of the precious metals and the power of disposing of them. The necessity of this distinction appears at once, in private intercourse. No one wishes to keep his money. Every one seeks for some mode of parting with it: but every one is also desirous and exerts himself to have at all times a sum of which he can dispose at pleasure. The indifference to the possession of specie is generally proportioned to the degree of opulence. The richer an individual, the less he needs the actual possession of specie. He only desires to have the disposal of that which may be in the vaults of others. The poorer a man is, on the contrary, and the less he is able to dispose of money in the hands of others, the more need he has of reserving a sum for his own use. It is the same with an industrious people, and with a people without industry. If, in general, England cares little about the quantity of gold and silver bullion which she exports, she knows very well that an extraordinary export of precious metals is followed on the one hand by an enhancement of their value, as well as of the rate of discount; on the other, by a decline in the price of manufactured goods and an increased export of goods, or by the

realization of foreign stocks or public funds, which rapidly restores the specie to the regular channels of trade. England is like a rich banker, who, without a shilling in his pocket, can draw upon his correspondents, far and near, for any sum he requires. But, when an extraordinary export of money takes place among nations purely agricultural, the condition of the latter is far from being so favorable; the means which they have of procuring the specie they need, are limited not only by the small exchangeable value of their agricultural products, but also by the obstacles which foreign tariffs oppose to the exportation of their commodities. They are like the poor man, who has no correspondents upon whom he can draw, but who, on the contrary, is drawn upon when the rich are in need, and who, consequently, has no resource in time of difficulty, but that which is in his hands. This power of commanding the amount of money needful for its internal commerce is obtained chiefly by the production of merchandizes and values, the exchangeable power of which approaches nearest to that of the precious metals.

The different degree of exchangeable power in the different commodities has been overlooked by the School in its study of international commerce, quite as much as a disposable power over the precious metals. If we examine in this respect the different values found in the channels of trade, we notice that a large number are of such a nature as not to be saleable, except in the market, and that their sale is expensive as well as difficult. These comprehend more than three-fourths of the wealth of a nation, such as real estate, mortgages, &c. However considerable may be the landed estate of an individual, he can send neither his fields nor his meadows to the city to purchase specie or goods. He can, of course, mortgage his estates, but he must find a lender; and the farther he goes from his property, the less chance has he of meeting what he seeks.

No commodities of trade have so little exchangeable power as agricultural products, except the values set upon localities, and except colonial goods and a small number of high-priced articles. The greatest part of these values, such as building materials, fruit, grain, fuel, and cattle, find no market but in their own

vicinity; and, when superabundant, must be stored for future sale or use. When such articles go to foreign countries, their market is confined to certain manufacturing and mercantile nations; and even among the latter they are very often subject to duties, and dependent upon tariffs and upon the result of crops in those countries. The interior of the United States superabounds in cattle and food, but no considerable amount of the precious metals could be obtained from South America, England, or the continent of Europe, by exporting the surplus of these productions.

Manufactured products in general use have a vastly greater power of exchange. They are constantly sold in all open markets, even in times of pressure when prices are falling, and where the protective duties imposed are as high as in prosperous times. These commodities come evidently nearest to the exchangeable power of the precious metals; and the experience of England proves that when monetary revulsions proceed from deficient crops, an increased export of manufactured goods, of stocks, and public funds, promptly re-establishes the equilibrium. The possession of these stock securities is of itself the result of favorable balances caused by the sale of manufactured goods, and their sale, in case of necessity, furnishes ample means of restoring the equilibrium of payments, lost by over-importation.

However the School may have scouted the doctrine of the balance of trade, the preceding remarks lead us to make the assertion that, among great and independent nations, there is a balance of trade, which it is dangerous to overlook for any considerable time, and which cannot be neglected without decided disadvantage; and that a considerable and continuous export of the precious metals will cause serious disturbance in the credit system and market prices of any country. We would not revive the doctrine of the balance of trade, as understood in what was called the mercantile system, nor contend that nations should prohibit the export of the precious metals, nor insist that they must keep a rigid account with each country; nor that in the trade between great nations a pause should occur upon the difference of a few millions between the imports

and exports. What we here deny is only this, that a great independent nation can, as Smith maintains in the chapter upon this subject, every year import a greater value in products of the soil and manufactures than the value of its exports; can see a yearly diminution of its precious metals, the vacuum thus made in the circulation being filled with bank-notes; that it can contract to another nation an ever-increasing debt, and yet continue to prosper.

It is only this position assumed by Adam Smith, and reproduced by his School, that we declare to be contradicted, a hundred times, by experience, and to be contrary to the well-settled course of trade, and, using Adam Smith's own energetic expression, to be, in one word, an absurdity.

Of course, we do not speak here of countries producing, with profit, the precious metals, and in which, consequently, the exportation of bullion has in fact the character of an export of manufactured goods. Neither do we speak of that difference in the commercial balance which must necessarily occur when the value of goods, both imported and exported, is estimated according to the prices of its maritime cities. In this case, it is obvious that its imports must exceed its exports by the whole amount of the profits of trade; this circumstance is entirely to its advantage. And still less shall we deny, that in extraordinary cases an excess of exports denotes rather loss than gain; for instance, when commodities have perished by shipwreck. The School has skilfully derived advantage from all these illusions — the result of narrow views — denying even the inconvenience of an effective, continued, persevering, enormous disproportion between the imports and the exports of a great country, of a disproportion as great as that which existed in France from 1786 to 1789; in Russia, from 1820 to 1821; and in North America, after the Compromise Act.

Finally, and it is important to mark this, we do not speak of colonies nor of countries not independent, nor of small states and isolated free cities, but of complete, great, independent nations, possessing a system of commerce of their own, a

national, agricultural and manufacturing system, with a national system of circulation and credit.

It is evidently in the nature of colonies, that their exports greatly and constantly exceed their imports; from which, however, no conclusion can be drawn as to the increase or diminution of their prosperity. Colonies prosper in proportion to the yearly increase of both exports and imports. If the export of tropical commodities perceptibly and constantly exceeds the return in manufactured goods, the chief apparent reason is that many of the colonial proprietors reside in the parent country, and receive their income in the form of colonial goods or in the proceeds of their sale. If, on the contrary, the importation of manufactured articles is much greater, the reason may chiefly be that emigration and loans yearly carry to the colony a large amount of capital. This state of things is extremely favorable to colonial prosperity. It may last for centuries, and while it continues, commercial revulsions will be rare, if not impossible; because colonies are seldom injured by war or by hostile commercial policy, or by the operations of a metropolitan bank; and instead of having their own independent system of commerce, credit and industry, they are protected and upheld by the institutions of credit and by the laws of the parent country.

Such relations existed beneficially for a long period between North America and England; they exist still between England and Canada, and they may last for a considerable time between England and Australia.

They alter essentially, however, from the day when the colony is emancipated, and claims the attributes of a great and independent nation, a policy of its own, and a distinct system of commerce and credit. What was before a colony, now makes laws to aid the development of its merchant and naval marine; it protects its industry by a system of duties; it founds a national bank. At least, a policy of this kind may be expected if the nation which has thus broken the colonial bonds is awake to the importance of promoting and completing its naval, physical and economical resources, of becoming a manufacturing and commercial country. The parent country, after such separation

from her former possession, treats it as a stranger, restricts its navigation, commerce and industry, and employs her own institutions of credit for her own benefit.

Now, it was precisely by the example of these colonies of North America, before the war of independence, that Adam Smith expected to prove the paradox above mentioned, that a country may augment its exports of gold and silver, restrict its circulation of the precious metals, extend its circulation of bank-notes, increase its debt to other nations, and yet go on and prosper. Adam Smith takes good care not to refer to the case of two nations wholly independent of each other, rivals in navigation and commerce, and in manufacturing industry and agriculture; in support of his opinion he prefers to rest upon the relations of colonies with the mother country. If he had lived to our time, and had written his work in our day, he would have been equally careful not to refer to the case of the United States, the commerce of which shows precisely the reverse of his doctrine.

Since it is so, however, can it be urged that it would be much more advantageous for the United States to return to the condition of English colonies? To that we answer, certainly, if the United States is not wise enough to take advantage of her emancipation, and to establish a national industry, with a proper and independent system of commerce and credit. For it is easy to see, that if those colonies had never been severed from England, the corn-laws would never have been enacted, England would never have imposed such exorbitant duties upon American tobacco, and an immense quantity of timber would have been exported yearly from the United States; England, far from encouraging the production of cotton elsewhere, would have exerted herself to reserve for North America the monopoly of this article; commercial revulsions like those which have so deeply troubled North America for many years would not have occurred. Certainly, if the United States wish not to have, or cannot have manufactures, nor to establish a durable system of credit, nor to possess a navy, then it is in vain that the people of Boston gave the first impulse to the ball of the Revolution, and Ameri-

cans have declaimed in vain about their independence and the future grandeur of their country; and their best policy is to return as soon as possible to dependence upon England. Then, instead of checking, England would protect them, and ruin their competitors in the culture of cotton and grain, instead of raising new rivals. The Bank of England would establish branches in North America, the English government would favor emigration, and the employment of capital in the United States. On the one hand, by annihilating American manufactures, and on the other hand, by encouraging the importation of American raw materials into England, she would strive with maternal care to prevent the return of commercial revulsions, and to maintain consequently the due equilibrium between the imports and the exports of the colony. In a word, the planters of cotton would then have realized that policy which in their dreams appears so beautiful.

For a long time, in fact, such a prospect appeared to suit the taste, the patriotism, the business, and the wants of those planters better than the independence and the grandeur of the United States. It was only in the first exaltation of liberty and political emancipation that they dreamed of an industrial independence. But their zeal for industrial independence quickly subsided, and during the last quarter of a century the prosperity of manufacturers in the Middle and Eastern States annoys them; they have undertaken to prove in Congress that American prosperity depends on the industrial domination of England over the United States. What less can all this mean than that North America would be richer and happier by becoming again an English colony?

It seems to us that the partisans of free trade, so far as regards monetary revulsions, the balance of trade and manufacturing industry, would be more consistent with themselves if they should frankly advise all nations to submit to England and thus obtain the advantages attached to the condition of English colonies. Such a state of subjection would be obviously much more favorable to material interests than the false position of those nations which, without having their own system of

industry, commerce, and credit, affect, notwithstanding, still to be independent of England. How much better for Portugal, if since the treaty of Methuen she had been governed by an English Viceroy — if England had introduced there her laws and her national spirit, and had taken that country under her protection, as she has taken the East Indies! How much more beneficial would such a government have been for Germany and the whole continent of Europe!

The manufacturing industry of India has been destroyed, it is true; but has not the agriculture of India profited immensely by the export of agricultural products? Have not the wars of the Nabobs come to an end? Are not her princes and kings happy? Have they not kept their large incomes? Are they not entirely freed from the laborious cares of government?

It is, moreover, worthy of remark that familiar as these contradictions are to those who, like Adam Smith, deal in paradoxes, this celebrated writer, after all his argument against the existence of a commercial balance, admits what he calls the balance between the consumption and the production of a country, but which, being closely examined, is simply neither more nor less than our real and effective balance of trade. When the exports of a country are in proper equilibrium with its imports, it will not consume to any extent more than it produces; whilst the country which, during a long period, as in the recent case of the United States, imports foreign manufactured commodities to a much greater value than it exports agricultural products, is almost certain to consume a greater value in foreign goods than it can produce in products of the soil. Is this not what is shown by the crisis in France from 1786 to 1789, in Russia from 1820 to 1821, and in the United States after 1833?

In terminating this chapter, we shall indulge ourselves in proposing a few questions to those who class with antiquated fables the whole doctrine of the balance of trade.

Why has a visible and constantly unfavorable balance always been followed in every country where it has occurred, except colonies, by commercial revulsions, disturbance in prices, financial embarrassments, and the general failure of banks or

institutions of credit, of tradesmen, manufacturers, and agriculturists?

Why do countries with a balance decidedly favorable always present phenomena so different, and why do commercial revulsions, when they occur among those with whom they are in relations of business, react upon them with so little effect or injury.

As Russia now produces the larger portion of the manufactured goods she consumes, why is the balance of trade decidedly and constantly in her favor? How is it, since the change in her industrial policy, that nothing more is heard of commercial revulsions, and that the prosperity of that empire has increased yearly?

How is it that in the United States the same causes, favorable and unfavorable, have always produced the same effects?

Why, when the Compromise Act had induced heavy importations of foreign manufactured goods into the United States, did the balance of trade there become during a series of years so remarkably unfavorable, and why such unhappy revulsions and such protracted derangements of their internal economy? Why at this moment are the United States so encumbered with raw materials of every kind, cotton, tobacco, cattle, and grain, that prices have fallen one-half? and why are they, notwithstanding, unable to restore the equilibrium between imports and exports, to extinguish their debt to England, and to reinstate, upon a solid basis, their system of credit?

If there be no balance of trade, or if it matters little whether it be favorable or unfavorable, if it be indifferent whether the precious metals are exported in large or small quantities, why does England, upon the occurrence of a deficient harvest, the only occasion when she apprehends an unfavorable balance, watch with inquietude and anxiety the state of the exports and imports? How comes it that she then counts each ounce of gold and silver imported or exported, and that the Bank is actively engaged in preventing the departure of the precious metals and in favoring their return? If the balance of commerce be an *exploded fallacy*, why, we ask, is there not at such

times a single English paper in which the export of gold is not treated as of the most serious consequence to the country? *

How comes it that in the United States the same people who denounced the balance of trade as an exploded fallacy before the Compromise Act, have since then never ceased to regard it as of the most serious consequence to that country?

* It requires no very prolonged inquiry by a judicious and unprejudiced mind, to ascertain that the modern School exaggerates the importance of commerce as much as the old advocates of the mercantile theory. They regard the subject from a different point of light; their theories are different; but commerce, foreign commerce, is the grand topic of both. The old School looked to commerce as the chief source of wealth; the new School regards commerce as the grand regulator of industry, and free trade as the summit of economical policy. It would be hard to decide which of these errors is greatest. There can be no doubt that the old policy is the safest for a nation, and it is undoubtedly that which England has strictly observed in all her progress. England pursued the mercantile system, as is generally known, until a very recent date; that is, her whole industrial policy, external and internal, was directed mainly to the increase of her foreign trade. Within a few years England has greatly modified her commercial system; and this the modern School claims to have been an adoption of the principle of free trade. Far from it, in fact, though it suits England to have it so regarded. England protected her home industry, and by this means increased her foreign trade to the utmost extent practicable in that way. When it became no longer possible to increase her exports by that policy, England reduced her duties, and enlarged her free list, for the express and avowed purpose of increasing her foreign trade. She did not resort to this expedient until her home industry could bear this exposure, and safely encounter the competition of the world. England still clings to the advantage of a favorable balance of trade, and holds in special dread those circumstances which tend to create or threaten an unfavorable balance. No fact is better known than this. It is known that a short crop of grain is spoken of in England far more on account of its effect on the balance of trade, than because the people may suffer for want of bread. England cannot be induced to adopt any principle of free trade which will tend to produce an unfavorable balance in her national commerce. She now admits corn free, because, when it was needed, it would be imported at any rate; so with the raw material of her manufactures, they must be imported, and a reduction of cost to the manufacturer increases his exports. England may adopt a free trade measure, nay, many such, but they will be found to be adopted, not for the sake of free trade as a theory, but with the view of favoring industry, and by that means increasing foreign trade. — [S. C.]

Why, finally, if the nature of things constantly supplies to every country the quantity of the precious metals it requires, does the Bank of England endeavor systematically to control the nature of things by the management of credits and discounts, with a view to increase the stock of gold? and why have the American banks been compelled at times to suspend their payments in specie until the restoration of the necessary equilibrium between the exports and imports?*

CHAPTER XIV.

MANUFACTURING INDUSTRY AND THE PRINCIPLE OF PERMANENCY AND PROGRESS.

In considering the origin and progress of manufactures, we find that success has only been reached by slow degrees; for improved processes, machinery, buildings, experience, skill, and the needful arrangements for the prompt delivery of raw materials and a favorable market for manufactured products, are only attainable by degrees and by the lapse of much time. We readily comprehend that, as a general rule, it is vastly more easy to perfect and to enlarge an enterprise already begun, than to

* It is one of Adam Smith's and J. B. Say's titles to repute that they brought to light the illusions of the balance of commerce; illusions which we might fully have supposed would have been dissipated by this time, but which are frequently reproduced in our public assemblies and deliberative bodies. The partizans of protective duties, however, no longer produce them as arguments. It is true, nevertheless, that there is between imports and exports an equilibrium which, if disregarded, must cause serious commercial evils; it is plain that a nation which, from want of activity, or from apathy, or from any other cause, cannot pay with its own products for those which it imports, is going to ruin. Upon this subject List happily rectifies that which his predecessors, preoccupied with combating the accredited errors of the system and the time, had failed to accomplish. As to the delicate questions which pertain to the precious metals and the banks, regarded in their relations with international commerce, he is far from having exhausted them. — [H. R.]

commence a new one. It may be always observed that old industries, carried on for many generations, are pursued with more advantage than others. We find that it is more difficult to move a new enterprise when there have been few, if any, similar undertakings in the country; for on new enterprises managers and workmen have to be trained or brought from abroad, and the knowledge of results is not yet sufficient to inspire capitalists with that degree of confidence needful to secure their co-operation. On comparing the condition of industries in the same country at various periods, we discover that unless special causes of disturbance have intervened, they have always made great progress from generation to generation, not only in reduction of price, but also in respect of quantity and quality of products. We notice, on the other hand, that under the influence of disturbing causes, such as war and devastation, or oppressive measures of despotism or fanaticism, such, for instance, as the revocation of the Edict of Nantes, people have always retrograded many centuries in their general industry, as well as in particular branches, and have thus been outstripped by nations of which they had previously been greatly in advance.

It is quite obvious, in a word, that in production, as well as in other efforts of man, great branches of industry are subject to a natural law very much like that of the division of labor and the association of productive power, and which consists in this, that several succeeding generations, so to speak, combine their power to attain one and the same end, and divide, as it were, the efforts it exacts.

It is in virtue of this principle, that hereditary monarchy has been without comparison more favorable to the maintenance and the consolidation of nationalities, than elective monarchies, with their characteristic instability.

It is partly due to this natural law, that nations in the enjoyment of a good constitutional government succeed better than others in industry, commerce and navigation. This law explains also, in some respects, the influence of alphabetical writing and of the press, on the progress of mankind. By alphabetical writing, the inheritance of knowledge and experience is trans-

mitted from generation to generation with much more fidelity than by oral tradition.

The knowledge of this natural law is doubtless one of the causes of the establishment of castes among the ancient nations, and of that Egyptian institution according to which the son was bound to exercise the same industry as his father; before the invention and the general use of writing, such institutions must have been regarded as indispensable for the preservation and progress of the arts and trades.

Manufacturing corporations also, in part, owe their origin to the same cause.

It is chiefly to the sacerdotal castes of ancient times, to monasteries and universities, that we are indebted for the preservation and improvement of the fine arts and the sciences, as well as for their transmission from one generation to another.

To what power and influence did not the religious orders, orders of knighthood, and of the Holy See, attain by obeying this law, during a period of centuries? each generation taking up the work where its predecessor had left it off.

The importance of this principle appears still more evident in special undertakings. Cities, monasteries, and corporations have erected monuments or structures of greater cost than all the estates of the builders are worth at the present day. A whole series of generations reserved and applied its savings to a single great object.

The system of canals and dikes in Holland is the result of the exertions and the savings of many generations. It requires a succession of generations in any country to establish a complete system of fortification and defence.

Public credit is one of the most beautiful creations of modern administration; and it is a blessing for the people when it serves to distribute among several generations the cost of the public works and undertakings of the present generation, important as they are to the whole future of the nation, assuring its existence, development, grandeur, and the increase of its productive power. Public credit is a curse when employed for useless consumption, and when, so far from aiding the progress of future generations,

it absorbs in advance the means of great undertakings, or when the weight of the interest of the national debt falls on the consumption of laborious classes, instead of affecting the income of the rich.

The debts of the State are bills of exchange, which the present draws upon a future generation. They may have been contracted for the particular interest of the present or for that of the future, or for the common benefit of both. In the first case only are they to be condemned. But whenever the preservation and development of the nation are in question, and the necessary expenditure for that purpose exceeds the resources of the present generation, the debt falls into the latter category.

No expenditure of the present age is of more advantage to future generations than that for improving the routes of travel and transportation; the more especially, as in general those works, besides increasing to an extraordinary degree, and in an ever-augmenting progression, the productive power of future generations, pay off in the course of time the capital employed in them, and then yield a revenue. Thus, it is not only allowable for the present generation to impose upon their posterity the expense of such works, including the interest of the capital used in their construction, until they yield a sufficient revenue, but it is unjust to itself and violates the true principles of political economy when it assumes the whole burden or even a considerable portion of it.

Reverting to the great industries with which we are now occupied, it is obvious that continuity of labor is of great importance in agriculture, and happily less liable to interruption than in manufacturing industry, its interruptions being also much less injurious, and the damage they cause being more promptly and easily repaired.

However serious the disturbances encountered by agriculture, its peculiar wants, its products, so indispensable to civilized life, the general diffusion of agricultural knowledge, the low grades of capacity it requires, the simplicity of its processes and its instruments, prevent it from being entirely destroyed.

As soon as the ravages of war have ceased, its labors are re-

sumed, neither the enemy nor the foreign competition is able to carry off the principal instrument of agriculture, which is the soil; and indeed nothing less than the oppression of a series of generations can convert fertile fields into a desert, or deprive the inhabitants of a country of the means of cultivating it.

On the contrary, the slightest and shortest interruption paralyzes manufacturing industry; that which is prolonged destroys it. If a manufacture requires skill, dexterity and capital, if large sums are invested in it, interruption is the more disastrous. Machinery and implements become of no more value than old iron and wood, the buildings tumble into ruins, the workmen are dispersed, making efforts to earn their living in other pursuits. Thus is destroyed, in a short time, a combination of powers and materials which were only assembled and made effective by the labors of many years or generations.

During the growth and prosperity of manufactures, one industry invites, encourages, and sustains another until it flourishes; in the time of interruption and decline, the ruin of one industry is the signal for the ruin of many others, and finally, for the destruction of the essential elements of manufacturing power.

It is the sentiment of the immense advantage of continuity of labor, and of the irreparable injury caused by interruption, which obtained a favorable reception for the idea of protecting manufactures by duties, and not the clamors and the selfish demands of manufacturers greedy of exclusive privileges.

When such protection fails of its object, where, for instance, manufactures suffer for want of a market abroad, and when the government is unable to furnish any aid and protection, we often see manufacturers working at a loss, in expectation of better times, thus endeavoring to escape the irreparable injury of interrupted labor.

Under the reign of free competition it occurs not unfrequently that manufacturers, in the hope of driving rivals to a cessation of their operations, sell their products below the current rates, and even at an actual loss. They strive not only to save themselves from interruption, but by a present loss to inflict

it upon others, expecting to be indemnified afterwards, when they have more exclusive possession of the market.

Tendency to monopoly is, it is true, in the nature of manufacturing industry. But that is an argument for and not against the protective system; for within the limits of the domestic market this tendency has the effect of reducing prices and the development of industry as well as of national prosperity, whilst if a reduction of prices comes from abroad with a power which cannot be resisted, it involves the interruption of industry and the downfall of the manufactures of the country.

The fact that manufacturing production, aided as it is specially and powerfully by machinery, knows no other limits than the necessary capital and ready sale for its products, enables a nation which has obtained advantages by a century of continuous or uninterrupted labor, by the accumulation of an immense capital, by a vast commerce, by financial domination through the agency of great institutions of credit, which operate to reduce the price of manufactured goods, and to stimulate manufacturers to exportation—enables, we repeat, such a nation to carry on against the manufacturers of all other nations a war of extermination. Against such opposition it is wholly impossible that extensive manufactures can be established by other nations, either in consequence of their progress in agriculture, or, to use the expression of Adam Smith, according to the natural course of things: neither is it possible for manufactures fostered by the interruption of commerce or established in time of war, though coming into life in the natural course of things, to sustain themselves in the face of such competition.

They may be compared to a youth, struggling with a full-grown man — aggression is impossible, and resistance hopeless. The manufactures of the chief industrial and commercial power possess a thousand advantages over those of other nations just coming into existence or not arrived at full growth; they have, of course, skilful and experienced workmen in great numbers and at low wages, men of special skill and adaptation as managers, the most perfect and cheapest machines; they are able to purchase and sell upon most favorable terms; they have

the least expensive routes of transportation and travel for the delivery of raw materials, and for the sale of manufactured products. They have extensive credit upon the most favorable terms from great financial institutions; the advantage of experience, of superior implements, of ships, warehouses, commercial relations; of numberless things which can only be gathered and organized in the course of generations; of an immense internal market, and, what is of equal account, an immense colonial market, and consequently the certainty in any state of things of being able to sell with profit a vast quantity of goods; all which are guarantees of stability and sufficient means to await better times, or ability to find new markets.

If we examine, in detail, all these advantages, we find that, as against a power possessing them it would be vain to rely upon *the natural course of things*, where free competition prevailed and workmen and artists were to be trained; where machinery is to be constructed and routes of transportation are to be perfected; where, far from sending a considerable quantity of goods to foreign countries, the manufacturer has not even the possession of his own market; where he thinks himself fortunate to find credit to the extent of the merest necessaries; where it is a subject of daily apprehension, that under the influence of commercial revulsions or the operations of the Bank of England, a large quantity of foreign goods may be thrown upon the country at prices hardly equivalent to the value of the raw materials, thus checking for years the progress of manufacturing industry.

In vain would such nations submit perpetually to the supremacy of English manufactures, and be satisfied with the modest part of furnishing England with whatever she cannot produce herself, or cannot procure elsewhere. In this humiliation there would be no salvation. What avails it, for instance, if North Americans sacrifice the prosperity of their richest and most advanced States, of their free labor, nay, perhaps their future national grandeur, to the advantage of supplying England with raw cotton? Will this prevent England from procuring that material in other countries? The Germans would in vain resign themselves to receive from England, in exchange for their fine

wool, the manufactured goods which they consume. For, twenty years hence, Australia may inundate all Europe with wool of unsurpassed quality.

Such a subordinate condition appears still more deplorable, when we reflect that by war, nations thus situated lose their market for agricultural productions, and at the same time the power of purchasing their accustomed supply of foreign manufactures. Then every other consideration must be laid aside, and every economical system abandoned; it is the moment for self-preservation, when that highest law must prevail which commands nations to betake themselves to their agricultural labors, and to dispense with the manufactured goods of an industrial enemy. They hesitate not a moment at the losses of the prohibitive or protective system, which a state of war involves. But when, by great efforts and great sacrifices, an agricultural nation has, during a period of war, brought her manufactures into efficiency, and the competition of the chief manufacturing power returns with peace, it brings destruction upon this creation of necessity. In a word, a continual alternation of creation and destruction, prosperity and adversity, must be the fate of those nations which do not adopt and realize in their own behalf that national division of labor and association of productive power needful to secure the advantage of continuity in the principal departments of industry from generation to generation.

CHAPTER XV.

MANUFACTURING INDUSTRY, AND STIMULANTS TO PRODUCTION AND CONSUMPTION.

In society, to produce is not only to bring forth products, properly so called, but productive power; it is not only to excite to production and to consumption, but to the creation of productive power.

The artist exerts by his works an ennobling influence upon the human mind, and upon the productive power of society;

moreover, the enjoyment of arts supposes the possession of material objects, wherewith to pay for the productions of art; the fine arts stimulate that industry and economy which furnish the means of purchasing works of art.

Books and journals exert, by the knowledge they diffuse, an influence on material and intellectual production; but to acquire them costs money, and the pleasure they procure is thus a stimulant for material production.

Education improves society, but how much exertion on the part of parents is needful to obtain the means of giving a good education to their children!

What immense labors, moral as well as material, are encountered in the desire of attaining a more distinguished position in society!

One may live as well in a hut as in a villa; protection from rain and cold can be secured in the plainest habits as well as in elegant and expensive clothing.

Jewels and plate are not more convenient in gold and silver than in steel and tin; but the distinction attached to their possession provokes the exertion of both mind and body, encourages order and economy, and society is indebted to this stimulant for a considerable portion of its productive power.

The independent gentleman, whose only occupation consists in preserving, receiving, and consuming his income, exerts, in various ways, an influence upon intellectual and material production, first supporting by his expenditure, art, science, and products of taste and luxury; then by fulfilling, so to speak, the function of preserving and increasing the material capital of society; then, finally, in exciting by his luxury the emulation of all other classes. Just as a whole school is stimulated to labor for rewards of which only a few can obtain and enjoy the possession, a great fortune and the display which accompanies it, stimulates a whole society. But this influence disappears where opulence is the result of usurpation, extortion, or imposition, or where it is not possible to possess and to enjoy it openly.

Manufacturing industry furnishes either the instruments of production, the means of satisfying our wants, or objects of luxury.

Generally, these two last classes of articles are confounded. The different ranks of society are readily distinguished by their houses, furniture, dress, the splendor of their equipage, or the number and the style of their retinue. In the lower stages of manufacturing industry, this distinction is scarcely perceptible; that is, when all are badly lodged, fed, and clothed, there is no room for emulation. Emulation grows and becomes efficacious in proportion as trade flourishes. In prosperous manufacturing countries, all are well lodged and clothed, whatever may be the nature or variety of manufactured goods which are consumed. However little the aptitude of a man for labor, he is never willing to present the appearance of indigence. Thus, manufactured articles excite social production by stimulants which agriculture cannot offer with its coarse domestic fabrics, its raw materials, and its food.

There is, it is true, a great difference in the kind of food, and excellent articles of food and drink have their attractions. But our repasts are not taken in public; and the German proverb justly remarks, "People see my cravat, but not my stomach." If, from youth, people are accustomed to coarse food, they hardly think of better. Moreover, when consumption of food is reduced to the productions of the vicinity, it has very narrow limits. In temperate climes, these limits are enlarged only by the arrival of food from southern regions. But, as we have seen in a preceding chapter, such food can be procured in sufficient quantity for the supply of a whole population only by the means of a foreign trade in manufactured articles.

It is obvious that tropical products, when not raw materials for manufactures, serve rather as stimulants than as articles of nourishment. No one can deny that barley coffee without sugar is as nourishing as Mocha with sugar. Even supposing that those articles contain some nutriment, they are in this respect of so little importance as scarcely to be entitled to take rank among the great articles of human aliment. Spices and tobacco in particular are nothing else but stimulants, that is to say, their social usefulness consists in adding to the enjoyments of the mass of the population, exciting them to labor of mind and body.

In some countries, among persons who live upon salaries and incomes, very false ideas are formed about what they call the luxury of the lower classes. They wonder at workmen drinking coffee with sugar, and they boast of the time when they were satisfied with gruel of oatmeal; they seem to regret that the peasant has changed his poor and constant dress of drill for one of woollen cloth; they fear that the maid-servant cannot, ere long, be distinguished from her mistress; they exalt the sumptuary regulations of past times. But if we measure the labor of the workman in countries where he is fed and clothed like the rich, and in those where he is satisfied with coarse food and with coarse vestments, we shall find that in the former the increase of their enjoyments, far from injuring the general prosperity, has augmented the productive power of society. Workmen receive daily twice or three times more than formerly. Sumptuary laws have effected nothing but to extinguish emulation among the mass of the inhabitants, and have encouraged only laziness and routine.*

Products must undoubtedly be created before being consumed, so that, generally speaking, production necessarily precedes consumption. But in national economy consumption frequently precedes production. Manufacturing nations, sustained by considerable capital, and less limited in their production than purely agricultural countries, generally make advances to the latter on the product of their coming crop; the latter, in this way, consume before producing; they have been slow to produce but prompt to consume. The same fact occurs upon a much larger scale in the relations between town and country; the nearer the manufacturer is to the agriculturist, the more stimulants he has to offer in articles of consumption, the more is the farmer excited to his special work of production.

Among the most effective stimulants are those presented by

* This judicious appreciation of the utility of the consumption of articles of luxury absolutely annihilates the declamation of which they have been the object. The same view has been taken by other economists, though not with the same fulness and power; they regard the consumption of luxuries as a stimulus of labor. — [H. R.]

the civil and political organization. When it is not possible by work and by wealth to rise from the lowest ranks of society to the highest, when he who possesses must avoid making a display of his fortune, or enjoying it openly, for fear of being disturbed in his rights, or for fear of being charged with presumption and insolence; when the producing classes are excluded from dignities, from participation in the government, in legislation, and in the administration of justice; when remarkable achievements in agriculture and manufacturing industry and commerce procure no public distinction, the strongest motives for consumption and production do not exist.

Every law, every public institution, tends directly or indirectly to strengthen or weaken production or consumption, or productive power.

Patents for inventions are like premiums offered to genius. The hope of obtaining a premium stirs the mind and directs it toward industrial improvements. They excite a spirit of invention in society, and destroy the fatal prejudice which clings to uncultivated nations, inclining them to adhere to old habits and old processes. They procure for those who possess only the genius of discovery the means of obtaining a living, and the assurance of receiving some portion of the profits which men of capital may make by introducing the invention.

Protective duties operate as stimulants to all branches of domestic industry in which foreign manufacturers have the advantage, especially of those branches for which the country is adapted. They confer an advantage upon the manufacturer and upon the workman, inciting them to increase of knowledge and skill, and upon the native or foreign capitalist, by offering them permanent investments of special advantage and great ultimate gain.

CHAPTER XVI.

DUTIES UPON IMPORTS AND EXPORTS CONSIDERED AS A POWERFUL MEANS OF CREATING AND STRENGTHENING THE MANUFACTURING INDUSTRY OF THE COUNTRY.

It is no part of our plan to treat of those means of encouraging the industry of a country which are universally acknowledged to be efficient and practicable. In this class stand, for instance, establishments of education, and especially schools of science and art, public expositions, premiums, the improvement of routes of transportation, patents; finally, all the laws and all the institutions designed to favor industry, and facilitate and control internal and external commerce. We speak here only of legislation upon commercial duties, so far as they are means of promoting industry.

In our system (the German), it is but by way of exception that prohibitions and duties upon exports can be subjects of consideration;* in every country, raw materials should be subject to import duties only for revenue, and not for the purpose of protecting the agriculture of the country; in manufacturing

* Prohibitions or duties upon the exports of raw materials for the benefit of the manufacturing interests are allowed as exceptions by the more liberal economists. They condemn them in theory, in so far as they favor the manufacturer, who should in fact be benefited by giving the producer of the raw material the largest market possible. But J. B. Say, (*Cours Complet IV^e^ partie, Chap. XVIII.*,) does not wholly reject them in cases where the raw material in question is not susceptible of increase by giving it a more extensive market. "It is from this consideration," he says, "that in France they interdict, perhaps wisely, the exportation of old cordage and rags, of which paper is made." McCulloch, in the preface to his *Principles of Political Economy*, after having said that there are a small number of commodities in which a nation would seriously mistake its interests by permitting their free exportation, asserts, upon the ground of this proposition, that if England had the monopoly of all the mineral coal, it would be due to her wealth, as well as to her safety, to prohibit the exportation altogether. — [H. R.]

countries, articles of luxury from the torrid zone, and not commodities of the first necessity, such as grain and cattle, should first attract the attention of the authorities, and first bear the burden of the public revenue; tropical countries, and nations of rather limited territory, the population of which is still sparse and not advanced in civilization or in their social and political institutions, should impose duties only upon the imports of manufactured articles for revenue.

Revenue duties should always be so moderate as not sensibly to restrain importation and consumption; otherwise, they would not only diminish the productive power of the country, but must fail of their object.

Measures of protection are legitimate only for the purpose of aiding and strengthening the manufacturing industry of nations of extensive and consolidated territory, of considerable population, great natural resources, advanced agriculture, a high degree of civilization and political knowledge, enabled by these advantages to take rank among those which are foremost in agriculture, manufacturing industry, and commerce,—among the first maritime and continental powers.

Protection is accorded under the form either of absolute prohibition of certain manufactured products, or of high duties, so high as to be nearly equivalent to prohibition, or finally of moderate duties. No one of these modes is absolutely good or bad; the particular condition of the nation and its industry indicates which is applicable.

War, which creates an unavoidable state of prohibition, has a great influence upon the selection of means; in time of war exchange ceases between the belligerent parties, and each country, whatever be its economical condition, must live upon its own resources. Then in the nation less advanced in respect to manufactures, manufacturing industry, and in the one most advanced, agriculture makes extraordinary progress, so that if the war is protracted for a series of years it becomes proper for the former to uphold an industry, unable to sustain the competition of the latter by continuing for some time during the peace the restraint which the war had imposed.

Such was the position of France and Germany after the general peace. If France had, in 1815, admitted the competition of Great Britain, as did Germany, Prussia, and the United States, she would have experienced the same disasters as those countries; the greater part of the manufactures, which had risen under the necessities of the war, would have perished; of the progress actually made in all branches of manufacture, in the improvement of her routes of transportation and travel, in foreign trade, in steam navigation, river and maritime; of the increase in the value of her soil, which, be it remarked in passing, has doubled in France since that period; finally, of the increase of her population and public income, there has not been, and cannot be, a question among persons who have made themselves well acquainted with the industrial condition of France. Manufactures were yet in their infancy; the country possessed but few canals; mines were scarcely opened, a failure due to political convulsions and war; large capitals were wanted, as well as adequate technical knowledge, skilful workmen, industrial intelligence, enterprise; the general inclination was more for war than for the arts of peace; the small amount of capital accumulated during war was attracted toward a suffering agriculture. France then only perceived the progress which England had made during the war; she could now obtain from England machines, men of skill, workmen, capital, and a spirit of enterprise; the exclusive reservation of the internal market awakened then all their power, and stimulated the employment of all their natural resources. The results of this system of exclusion are now before our eyes; the blindest cosmopolitism could alone deny them; it alone could pretend that under the reign of free competition, France would have made greater progress. The experience of Germany, of the United States, and of Russia above all, proves the contrary beyond all question.

In stating that the prohibitive system has been useful since 1815, our intention is not to defend its vices nor its exaggerations, nor to maintain the propriety or the necessity of retaining it. France has committed an error in restraining by duties the importation of raw materials and agricultural products, such as

iron, coal, wool, corn, and cattle;* she would have committed another, if, after her manufacturing industry becomes sufficiently firm, she should not pass by degrees to a system of moderate protection; if she should not endeavor by means of a moderate competition to stimulate the emulation and activity of her manufacturers.

In the matter of protective duties it is proper to distinguish between the case of a nation wishing to pass from a state of open competition to the protective system, or from prohibition to moderate protection; in the first case, the duties should be at first low, and be gradually increased; in the second, being at first very high, they must be gradually diminished. A country where the duties are not sufficiently protective, but which is destined by its position to great progress in manufactures, must aim, above all, to encourage industries which produce articles of general consumption. Because the total value of these commodities is immensely larger than that of the objects of luxury, however much more costly may be the latter. Their manufacture puts in motion a considerable amount of natural, intellectual, and personal productive power; and, as it requires large capital, it induces constant economy, and attracts foreign capital from all quarters, as well as productive power of every kind. It exercises with its growth a powerful influence on the increase of population, on the prosperity of agriculture, and especially on the development of foreign trade; because the less civilized countries require chiefly manufactured products of general use, and temperate climes find in the production of such articles the principal means of maintaining direct intercourse

* There is no article of manufacture more important than iron—none in which it is more important that a nation should be independent of all the chances of war or commercial restriction. That article, the large employment of which is the chief characteristic of civilization, should certainly, if possible, be a domestic production. Crude or pig iron, although a raw material in certain branches of industry, is itself as much a manufactured article as any other whatever. So, in regard to wool, the terms employed by List are too general; it should, in regard to every and each commodity, be a subject of special and sound discretion what should be done for the interests of labor and national independence. — [S. C.]

with tropical countries. A country, for instance, which imports cotton, yarns, and cloth, cannot trade directly with Egypt, Louisiana, or Brazil; for it cannot furnish those countries with cotton goods, nor take from them raw cotton. These articles greatly contribute, by their large collective value, to maintain a proper equilibrium between the imports and the exports of a country, and to preserve or to procure for the country the necessary means of circulation. It is besides by the attainment and the maintenance of those great industries that the nation secures and preserves its industrial importance; for the interruptions of trade caused by war inflict little damage when they have no other result than to stop the importation of articles of luxury; they are followed, on the other hand, by terrible calamities, when they involve destitution and high prices for ordinary manufactured products, with the closing of large markets for agricultural products. Finally, smuggling and false valuations, for the purpose of eluding duties, are much less to be feared and much more easily prevented in reference to those goods than as to objects of luxury.

Factories and manufactures are plants of slow growth, and protective legislation, which suddenly changes existing commercial relations, injures the country which it was intended to benefit. Duties should rise in proportion as capital, industrial skill, and the spirit of enterprise, increase in the country or come to it from abroad; in proportion as the nation becomes able to work up the raw materials which it formerly exported. It is wise to determine in advance the scale of protective duties in order to offer a safe business to capitalists, as well as to men of skill; to workmen who may form establishments in the country, or to those whom it may attract from abroad. It is indispensable to maintain these rates without variation, not diminishing them before the fixed time, for the bare apprehension of a violation of the engagement, would, in a great measure, destroy the effect of the encouragement.

In what proportion should duties upon imports rise, when a nation is passing from open competition to the protective system, and fall when the nation is passing from the prohibitive system

to moderate protection? Theory cannot determine. Everything depends on the circumstances and the relations between the less and the more advanced country. The United States, for instance, would take into particular consideration the market which England offers to their raw cotton, and the English colonies to the products of their fields and fisheries, as well as the higher price of labor; on the other hand, it is a favorable circumstance for them, more than for any other country, that they may rely upon receiving capital, skilful men, and laborers, from Great Britain.

As a general rule, it may be said, that a country in which a branch of manufacture cannot succeed with the aid of a protection of from forty to sixty per cent. at the beginning, and sustain itself afterwards with twenty or thirty, does not possess the essential conditions of a manufacturing industry.*

* It must be very difficult to lay down any general rule as to the rate of protective duties. The rates named must be more than sufficient in most cases; but if there is any design upon the part of foreign governments, foreign merchants or manufacturers, to crush any infant industry, the duty must be placed high enough to repress any efforts of this kind. It is well known that in many departments of English industry, those who are interested will not only carry them on at a loss for years, but furnish large sums of money besides, to aid in retaining markets from which they are in danger of being excluded by commercial restrictions or industrial competition. The old manufacturer, long established, with abundance of capital, and well trained and skilled workmen at his command, can, by the sacrifice of his profits, or a small additional loss for a few years, effectually crush the infant industry which dares to enter the field of competition. Scarcely a branch of industry has sprung up in the United States, which has not, at the first, encountered a severe struggle by the reduction of the price of the foreign article below that which the new manufacture was expected to encounter.

In every instance where an additional article of American manufacture has been brought into the market at the current prices, an effort has been made by the foreign manufacturer to drive the new competitor from the market, or to ruin him. He having supposed that he could safely enter into the competition at the current prices, soon finds he has to submit, and perhaps for years, to prices far below the rates on which his estimate was made. Hence, in the United States, a very large proportion of the first adventurers in the many branches of manufacture now established

The causes of this inability may be more or less easy to remove. Among those which may easily be remedied are the want of routes of transportation and travel, of technical knowledge, of experience and enterprise in industry: among the more obstinate are the want of inclination for labor, deficiency of knowledge, morality and uprightness in the people, the low state of

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failed, and lost all their capital and labor. The establishment falling into other hands at a great sacrifice, has often been carried on successfully against foreign competition. In most instances, new branches of manufacture have succeeded in the United States by the production of an article superior in quality and design to the corresponding foreign article. This would sell at a higher price than the foreign, and maintain its place in the market upon its merits.

The disposition of foreigners to bring against our rising industry the full power of capital and competition is openly avowed in a recent Report made to the British Parliament by the "Commissioner appointed under the provisions of the Act V. and VI. Vict., c. 99, to inquire into the operation of that Act, and into the state of the population in the mining districts, 1854." The following passage is from the Report of that year:—

"I believe that the laboring classes generally, in the manufacturing districts of this country, and especially in the iron and coal districts, are very little aware of the extent to which they are often indebted for their being employed at all, to the immense losses which their employers voluntarily incur in bad times, in order to destroy foreign competition, and to gain and keep possession of foreign markets. Authentic instances are well known of employers having in such times carried on their works at a loss amounting in the aggregate to three or four hundred thousand pounds in the course of as many years. If the efforts of those who encourage the combinations to restrict the amount of labor, and to produce strikes, were to be successful for any length of time, the great accumulations of capital could no longer be made, which enable a few of the most wealthy capitalists to overwhelm all foreign competition in times of great depression, and thus to clear the way for the whole trade to step in when prices revive, and to carry on a great business before foreign capital can again accumulate to such an extent as to be able to establish a competition in prices with any chance of success. The large capitals of this country are the great instruments of warfare (if the expression may be allowed) against the competing capitals of foreign countries, and are the most essential instruments now remaining, by which our manufacturing supremacy can be maintained; the other elements — cheap labor, abundance of raw materials, means of communication, and skilled labor — being rapidly in process of being equalized." — [S. C.]

agriculture, and consequently, insufficiency of material capital; but more than all, faulty institutions, the absence of liberty and its proper guarantees; and lastly, a territory so badly adjusted as to make it difficult to repress smuggling.

Industries of luxury should not receive attention until in the last place; and they less deserve protection, because they require a high degree of technical knowledge; because their products, compared with the total production of the country, constitute but an insignificant value; because they can be readily obtained abroad for agricultural products, raw materials, or manufactured goods of general consumption; because the interruption of their delivery, in time of war, involves no serious disturbance of trade or labor; and lastly, because nothing is easier than to elude, by smuggling, high duties upon such articles.

Nations which are not yet very advanced in the manufacture of machinery, ought to admit free all complicated machines, or at least with light duties, until they shall not be inferior in the construction of machines to the most skilful nation.

Machine-shops are in some respects manufactures of manufactories, and any import duty upon foreign machinery is an impediment to manufacturing industry in general. But in consideration of their powerful influence upon the whole business of manufactures, it is important that a nation be independent of the vicissitudes of war for its supply of machinery. This industry has very special claims upon the direct favor of the State, in case with moderate duties it is not able to encounter competition from abroad. The State should at least encourage and sustain effectually the machine-shops of the country to such extent that in time of war they may at once suffice for the most urgent wants of the country, and then, in case of protracted interruption, serve as models for similar establishments.

Drawbacks need not come under consideration in our system, except as to partly wrought materials imported from abroad, like cotton-yarn, which deserves protection by duties on the articles made from it, that the country may be prepared by slow degrees to produce them itself.

Premiums are inadmissible as a permanent means of aiding

the industry of a country in its struggle with that of more advanced nations in other markets; they are still more inadmissible as a means of obtaining more full supplies from nations which have already made some progress in manufactures. They may, however, be sometimes employed by way of temporary encouragements; for instance, when the spirit of enterprise in a nation slumbers, and needs only to be awakened and to find some support in its earliest efforts to establish a powerful and durable industry, capable not only of supplying with its products the home market, but of sending forth something into the markets of the world. But even in such case, it were well to consider whether the State would not do better to lend money without interest as a stimulant to special enterprises, and to bestow other advantages, or whether it were not better to excite these first attempts by the creation of companies, and by advancing to them from the public treasury, or upon public credit, a part of the needful capital, giving to private shareholders a preference in the receipt of dividends or interest. We may cite, as an example, the commercial and maritime enterprises with distant countries, which individual efforts have not yet undertaken, the establishment of steam lines to distant regions and new colonies.*

* Adam Smith is opposed to premiums on exports. "We cannot," he says, "force strangers to purchase from us as we force our fellow-citizens. Consequently, we are told we must, by premiums, pay strangers to purchase from us." But drawbacks find favor with him, because encouragements in that shape do not have the effect of diverting to other pursuits any larger portion of the capital of the country than would have naturally found its way into them, but only have the object of preventing the portion of capital employed in this special branch from being forced into some other channel by the effect of the duty. It is surprising after this, that Say (*Cours Complet, IV. partie, Chap. XX.*) includes both premiums upon exports and drawbacks in the same sweeping denunciation, and that he makes this objection to them: "Why should we permit strangers to escape the duty which we make our own people pay?" It is the more surprising, as Say, in his Political Economy, (*Book II., Chap. XVII.,*) has, without qualification, adopted the very doctrine of Smith. — [H. R.]

CHAPTER XVII.

IMPORT DUTIES AND THE REIGNING SCHOOL.*

THE reigning School makes no distinction, as to the effect of protective duties, between agricultural and manufacturing industry; it wrongly points to the unfavorable influence which such duties have upon the former, as a proof that they operate unfavorably also upon the latter. In what regards the introduction of manufactures, the School does not distinguish between nations which have no vocation that way, and those which are invited to that career by the nature of their territory, by their advance in agriculture and civilization, and by the desire of realizing future prosperity, independence, and power.

The School does not perceive that, under the operation of unrestricted competition with nations of experience in manufactures, a country not much advanced, however real its vocation for that industry, cannot without protection attain to a complete manufacturing development and to entire independence.

It takes no account of the influence of war, and does not notice, particularly, that war constitutes an actual prohibition, of which the prohibitive system by duties is but a necessary continuation.

It avails itself of the advantages of internal free trade, to prove that nations can attain the highest state of prosperity and power only by absolute freedom of international trade, whilst history proves positively the contrary.

It argues that protective measures confer a monopoly upon the manufacturers of a country, tempting them to inertness, whilst internal competition in any country stimulates to active efforts and economy.

It would make us believe that protective duties favor manufactures at the expense of agriculture, when it is obvious that agriculture derives from domestic manufacturing industry,

* The disciples of Smith and Say.

immense advantages, compared with which, the sacrifices imposed by the protective system are wholly insignificant.

Its grand argument against the protective system, is the expense of its administration, and the mischiefs of smuggling. These mischiefs are not disputed; but must our minds be wholly absorbed by them, whilst devising measures having such an important influence upon the existence, the power, and the prosperity of a country? Are the mischiefs and evils of standing armies and war, a sound argument against national self-defence?

It is alleged that duties which materially exceed premiums of insurance upon smuggling, only serve to encourage this unlawful trade, and by no means help the manufactures of a country; but such objections are well founded, only in regard to an imperfect administration of the customs, to small and irregular territories, to consumption on the frontiers, and to high duties upon articles of luxury in small volume. But experience has everywhere shown, that with a good organization, and with a wisely arranged tariff, the object of protection cannot, in large States whose territory is well defined and regular, be sensibly counteracted by smuggling. As to the expenses of customs, the collection of revenue duties absorbs already a large portion of them, and the School does not pretend that the great States are bound to dispense with that kind of taxation.

The School does not, however, reject all protection by duties upon imports.

There are three cases in which Adam Smith allows the protection of native industry: first, as a measure of retaliation, if a foreign nation rejects our goods, and if we have reason to hope that reprisals will incline it to withdraw its restrictions; secondly, for the national defence, when the articles manufactured, and necessary for that purpose, could not have been produced in the country, under the operation of free competition; thirdly, as a means of equalization, when foreign products are less burdened than our own. Say objects to protection, in all these supposed cases; but he allows it in a fourth, that is of an industry which seems capable of becoming in a few years strong enough to sustain itself without such aid.

It is Adam Smith then, who is willing to introduce into commercial policy the principle of retaliation, a principle which may lead to the most unwise and fatal measures, especially if the reprisals, as required by Smith, must be withdrawn as soon as foreigners consent to the repeal of the restrictions against which they had been directed. Suppose, that Germany resorts to reprisals, for the obstacles which England opposes to the exportation of her corn and timber; that she prohibits the manufactured goods of the latter, thus giving birth artificially to domestic manufacturing industry; if England afterwards consents to receive German corn and timber, must Germany surrender to ruin an infant industry in which immense investments in money and labor have been made! What an extravagance! It would be far, far better for Germany, quietly to endure all the restrictive measures of England, in place of encouraging the rise of home manufactures, and of disturbing the development of those which, without a protection by duties, would have arisen in consequence of English prohibition.

The principle of retaliation is rational and applicable only so far as it agrees with that of the industrial education of the country, and becomes an auxiliary to it.

Of course, it is reasonable and advantageous for a nation to retaliate by restrictions upon English manufactured products, if England has imposed restrictions upon the agricultural products of that country; but only when such nation is adapted to the business of manufacturing industry, and has resolved upon it as a permanent policy.

By the second exception, Adam Smith justifies in reality not only the protection of manufactures which furnish munitions of war, for instance, the manufacture of arms and powder, but the whole protective system, as we understand it; for the manufacturing industry which this system creates in a country exerts upon the increase of population, upon its material wealth, its mechanical power, its independence, its intellectual resources, and consequently, upon all its means of defence, an incomparably greater influence than the mere manufacture of arms and powder.

The same may be said of the third exception. If the taxes which burden our production justify protective duties upon foreign products less taxed, why may not other disadvantages of our industry, as compared with foreign industry, be legitimately removed or met by special legislation, and our own internal industry protected against the crushing competition of foreign industry?*

* The exceptions to the law of free trade, admitted by Adam Smith, are not here set forth with proper exactness, nor suitably appreciated.

The author of the *Wealth of Nations*, (Book IV., Chap. II.,) mentions two instances in which it is in general advantageous to impose some duty upon foreign industry, for the purpose of encouraging home industry. The first is where a particular branch of labor is necessary to the defence of a country, and Smith has referred on this point to the Navigation Act; he returns to this topic in Chapter V. of the same book, and admits that if a manufacture important to national defence cannot sustain itself without protection, it would be reasonable that other industries should bear the burden of keeping it in vigor; that, according to this principle, the premiums allowed in England upon the exportation of canvass and powder were justifiable. The second case is, when some domestic product is burdened with a tax, by way of excise or otherwise, then it would seem proper to impose a similar duty upon the corresponding foreign article. Farther on, he admits a third exception in the propriety of imposing corresponding or retaliatory duties upon commodities from foreign countries which impose duties upon the same or similar articles in their ports: according to him, reprisals may in such cases be regarded as sound policy, if there is any probability that it will lead to the abolishment of the duties which provoke the retaliation; for, he adds, the advantage of recovering a great foreign market will more than compensate the passing inconvenience of paying higher during a short time for a few kinds of merchandise.

List is right in maintaining that the exception which rests upon the necessity of national defence implies a concession of the whole protective system as he understands it, a system in which he finds a means of increasing the resources and assuring the independence of the country. Smith is very moderate in the application of his doctrine, and he makes more than one concession to the protective system. Take, for instance, what he says in Book V., Chap. II. "If all protections were discontinued, and all articles of foreign manufacture were subjected to moderate duties, and such as experience had shown to yield the largest revenue, then our own laborers would still enjoy in our market a considerable advantage, and the nation would derive a large revenue from a large number of imported articles, of which before some yielded a very small revenue, and others none." That is the system adopted in the American tariff of 1846,

J. B. Say was aware of the inconsistency of these exceptions; but the substitute he offers is no better. For in a nation, the natural advantages of which and its culture invite to manufacturing industry, nearly every branch of that industry must flourish by the aid of a persevering and energetic production, and it is ridiculous to suppose that a great branch of industry, or the whole industry of a country, can be built up in a few years.*

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in proportions, however, which Smith would never have approved; that tariff, calculated with a view to the largest possible revenue, embraces, however, an incidental protection, efficient enough, perhaps, but without discrimination, to the degree that the raw material often bears a higher duty than the fabric in which it is employed. A consistent free trade tariff ought not to impose duties upon such articles as are manufactured in the country.

Adam Smith has, after all, no great faith in the future success of free trade in England. "To expect, indeed, that freedom of trade would ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it." (Book IV., Chap. II., McCulloch's Ed., p. 207.) — [H. R.]

* The thought of Say is not here properly stated. List has trusted to his memory for the citation. Very far from regarding as inconsistent the two exceptions made by his master, Say, in his *Treatise upon Political Economy*, (Book I., Chap. XVII.,) adopts and reproduces them; he even extends the second, which relates to products charged with domestic duties, so far as to approve the restrictions upon the import of corn in England, on account of the excessive burden of taxation which weighs upon her agriculture; taxation, however, which had not the special character intended by Smith, as, for instance, excise duties upon glass or paper. This is certainly a large concession to come from that quarter. As for retaliatory duties, they find no acceptance with Say: he condemns them without reservation.

Say adds, "It may be that a government does well in according protection to an industry which, though carried on at a loss in the beginning, promises to become profitable in a few years. There are circumstances which may modify that generally correct proposition, that every one is the best judge of the mode of carrying on his own business, and employing his own capital. We have in France at this day the finest manufactories of cloths and silks in the world. It may be that we owe them to the wise encouragement of Colbert. He advanced two thousand francs to the manufacturers in every establishment kept in full activity."

Rossi, as we have already had occasion to mention, admits the need of protection in the following words, which terminate one of his lectures:—

In its perpetual declamations on the immense advantages of absolute free trade and the disadvantages of the protective system, the School occasionally refers to the experience of particular nations; — to Switzerland, for instance, to prove that industry may flourish without protection by duties, and that absolute freedom of international commerce is the most solid foundation of public prosperity. The fate of Spain furnishes to people asking the aid of protective duties a frightful example of their disastrous effects. England, duly arranged, as has been shown in a preceding chapter, to serve as a model and object of emulation for all nations having a manufacturing vocation, is referred to by theorists in support of their assertion, that the power of maintaining manufacturing industry is a natural gift, exclusively reserved to certain countries, like the power of producing Burgundy wine; and we are told that England, above all other countries, has received the mission of devoting herself to manufactures and trade for the benefit of all other nations. Let us scrutinize more closely these instances.

And first, let it be remarked, that Switzerland is not a nation, a normal nation, a great nation, but an assemblage of municipalities. Without a sea-coast, confined between two large countries, she cannot aspire to a merchant marine, nor to direct relations with tropical countries; she cannot dream of forming navies, nor of founding or acquiring colonies.

Switzerland has laid the foundation of her present prosperity, which is, however, nothing extraordinary, as early as the time when she belonged to the German empire. Since then, she has been in a considerable degree exempt from war; capital has been increased from generation to generation, and with more facility because these municipal governments were no charge upon the confederacy.

Whilst in later times, the rest of Europe was a prey to despotism, religious fanaticism, war and revolutions, Switzerland

"To conclude, it is indisputable that there are exceptions to the principle of freedom of trade and industry; exceptions, some of which have their foundations in the science of political economy itself, and others flowing from moral and political considerations." — [H. R.]

offered an asylum to all who fled thither for the security of their capital and the employment of their talents: she received from abroad in this way important resources. Germany was never closed rigorously against Switzerland, whose manufactured products to a considerable extent have found there at all times a market. Her industry was moreover not a national industry, properly speaking: it was especially an industry of luxury, the products of which were easily introduced by contraband into the neighboring states, or into distant countries. Besides, the situation of the country is marvellously favorable, if not especially privileged, for intermediate trade.

The facility of becoming acquainted with the languages, the laws, the institutions, the civilization of the three bordering nations, secures to the Swiss notable advantages in trade, and in many other things. Civil and religious liberty, and the diffusion of knowledge, maintained among them a life, a spirit of enterprise, which, owing to the insufficiency of their agricultural and of other internal resources, induced emigration to foreign parts, where, by military service, trade in all departments of business, and in all sorts of professions, the men of Switzerland acquired fortunes, with which they returned to their own country.

If in this exceptional situation, material and intellectual capital has been accumulated in Switzerland, sufficient to sustain certain manufactures of articles of luxury in activity without protective duties, it must not be concluded that great nations placed in circumstances quite different, might follow the same system. In the lightness of her taxes, Switzerland enjoys an advantage that great nations can attain but upon condition of being dissolved into municipalities like Switzerland, and of thus exposing their nationality to the attacks of foreigners.

There is no doubt that Spain committed an error in prohibiting the exportation of her precious metals when she was producing them in great abundance. But it is wrong to impute the industrial decline, and the ruin of Spain, to the restrictions placed by her policy in the way of exportation of manufactured articles. If Spain had not exiled the Moors, nor the Jews; if she had never harbored the Inquisition; if Charles V. had

granted her liberty of conscience; if her priests and monks had become the teachers of the people; if their wealth had been secularized or at least reduced to proper limits; if civil liberty had been established; if the feudal nobility had been reformed and the monarchy regulated; if, in a word, Spain had enjoyed the benefits of a reformation and a political development analogous to that of England; and if the same spirit had penetrated all her colonies, then measures of prohibition or protection would have had the same results as in England. This is the more probable, because in the time of Charles V., the Spaniards were in all respects superior to the English and French, and were surpassed only by the Dutch, whose industrious and trading genius might have been communicated to Spain by protective duties, if Spanish institutions had invited an immigration of talents and capital from abroad, instead of sending out what was already in the country.

We have shown in the fifth chapter of Book First the causes of the manufacturing and commercial supremacy in England.

It is chiefly through her freedom of thought and civil liberty, the excellence of her constitution and political institutions in general, that English commercial policy has exerted such a favorable influence in developing the natural wealth of the soil and the whole productive power of the nation. But who would dare to deny that other nations had the power of securing the same degree of liberty? Who would dare to maintain that nature has refused to other nations the means of success in manufacturing industry?

The immense wealth of England in coal and iron has been often quoted as a proof of her peculiar vocation for manufactures. It is true that England has received from nature great favors; but we remark, that in respect of those matters, nature has not left other nations without signal marks of her bounty; that frequently the want of good routes of transportation and travel alone prevent their deriving all the advantage possible from these favors; that other countries possess in abundance unemployed water-power, which is cheaper than steam-power; that frequently substitutes can be found for coal as a fuel, and

that other countries besides England possess inexhaustible resources for the manufacture of iron.

A few words, in closing, upon commercial treaties which stipulate reciprocal concessions as to import duties. The School denounces those treaties as useless and injurious, whilst we see in them an efficient mode of softening, little by little, the rigors of commercial legislation, and of gradually conducting nations to free trade. It is true, the treaties we have hitherto noticed are not very encouraging. We have shown in preceding chapters what disasters were caused in Portugal by the treaty of Methuen, and in France by the treaty of Eden. The sad results of these reciprocal concessions seem to have inspired the School with repugnance for treaties of commerce in general. Its principle of absolute free trade has been in these cases manifestly contradicted by facts. For, in uniformity with this principle, those treaties ought to have been advantageous for both parties instead of becoming the occasion of ruin for one and of immense profit for the other. If we seek the explanation of effects so different, we find, that in consequence of those treaties, Portugal and France renounced, in favor of England, the progress which they had already made in manufactures, as well as that which they might thereafter make, in view of increasing the exportation of their agricultural products to England, and that these two countries thus fell from a relatively high degree of culture to an inferior condition. Hence it is plain that a nation which, by treaties of commerce, sacrifices its manufacturing industry to foreign competition, and becomes obliged to remain forever in the humble condition of a merely agricultural nation, is guilty of a suicidal folly. But it by no means follows that a treaty intended to encourage a reciprocal exchange of agricultural products and raw materials, or a reciprocal exchange of manufactured products, is injurious or impolitic.

We have already established that free trade in agricultural products and raw materials is useful for nations of every degree of culture; accordingly, a treaty which lessens or suppresses the impediments to this trade must be advantageous to both contracting parties. Such would be, for instance, a treaty between

France and England, which would facilitate the reciprocal exchange of wines and brandies for crude iron and coal, or a treaty between France and Germany, which would facilitate the reciprocal exchange of wine, oil, and dried fruits, for corn, wood, and cattle.

From our previous deductions, it results that protection contributes to the prosperity of a nation, so far as it corresponds to the degree of its industrial training; that any excess of protection is injurious; that nations can only attain gradually to perfection in manufactures. Two nations in different degrees of industrial education, can, with equal advantage, enter into treaties or reciprocal agreements for the exchange of different manufactured products. The less advanced nations, unable to manufacture with profit fine cotton or silk goods, for instance, can nevertheless furnish the more advanced with a part of its supply of common commodities.

Such treaties are still more eligible, and of a nature to produce still better results between nations almost in the same degree of industrial advancement; between which, of course, competition, instead of being restrictive or paralyzing, and affording to one of the parties a monopoly, has only the effect, as in internal trade, of exciting emulation and stimulating improvements and reduction in prices. Such is the case, for the most part, among the nations of the continent. France, Austria, and the German Customs-Union, for instance, might look for good results from moderation in their duties, and even as between those countries and Russia mutual concessions might be made for the common advantage. What all have at present most to fear is the industrial supremacy of England.

From this point of view, the British supremacy in manufactures, commerce, navigation, civil and naval, and in colonies, seems actually the greatest of all obstacles to a close union of nations. It must be acknowledged, however, whilst struggling to secure this supremacy, Great Britain has increased immensely the productive power of mankind, and that she is still daily increasing it.*

* This terminates List's exposition of his theory. Whoever has followed the movement of economical ideas, the discussions of the journals, and the

public debates in Germany during late years, knows the powerful influence this theory has exercised, and still exercises beyond the Rhine. One of the disciples of List, Theodore Tœgel, after having conducted during some time at Augsburg the *Zollvereinblatt*, founded by his illustrious master, edits now at Frankfort-on-the-Main the *Vereinsblatt*, or the Journal of the German Society for the defence of national labor. Another, Gustavus Hœfken, directs at Vienna *The Austria*, under the auspices of the Austrian administration. Placed in different centres, they sustain each in a different way the same doctrine. The first has labored to complete the protective system of the German association; the other to reform that of Austria by retrenching her prohibitions. The commercial unity of central Europe is the common object of both. We take the following passage from a late number of Hœfkin's Journal:—"From the time when Krause of Kœnigsberg inoculated the Prussian administration with the doctrines of Adam Smith, German political economy has made great progress; and, among our professors of renown, there is not one from Rau to Hermann and to Hildebrand, who walks still in the beaten path of abstraction, and who does not openly support our intelligent system of protection and reciprocity, such as the circumstances require." This economical revolution is the work of List.

Among the opponents of the *National System*, I will mention two, Brüggeman and Dœniges; it is worthy of remark that both had been for a time under the standard of List: both changed their front.

The chief accusation brought by the former against List in a volume published in 1845, with the title *Of the German Zoll-verein and the Protective System*, is that of plagiarism. According to him, List has merely reproduced in a worse form, the ideas of a fellow-citizen, one Adam Müller, with whom he had held conversations while at Vienna; ideas, however, which, at the best, under the pen of their author, had never attained any success or notoriety; it has been already remarked that List had been accused of borrowing from an author whose name he had never heard, and whose works he had never seen. Brüggeman further declares that there is no point of view more elevated than that of Adam Smith, that the science ought to see the nation and not the individual; that absolute freedom of trade at the present is a chimera; and that, though preferring other measures for the encouragement of industry of a country, he does not wholly reject protecting duties.

Dœniges published, in 1847, a work with the title, *The System of Free Trade and that of Protective Duties*, in which he offers the usual arguments in favor of free trade, but employs them with much moderation. Early devoted to historical studies, he formed, he says, the habit of regarding questions from their historical aspect. He condemns the doctrine of unlimited free trade as held by the physiocrats, and is indignant at the journalists who reproach him for crediting the exaggerations of Cobden. We

give his own words:—"The imposition of a protecting duty or a moderate increase of existing duties is admissible, because the preservation of a great and fruitful industry may have durable advantages far surpassing the transient inconvenience of an increase in the price of merchandise."

This work of Dœniges has provoked a reply from a professor who enjoys high consideration in Germany, Hermann of Munich. The following passage of his reply gives the point of view in which this subject is regarded by the Bavarian professor:—"From the moment when the national sentiment has attained maturity, the people of a nation wish, as far as practicable, to be independent, and to elevate themselves to the level of other independent nations. Our fellow-citizen, who bears the same public charges as we, may claim a preference in the market over the citizen of another country. The complete development of the productive powers of a country exacts that those branches of industry for which the country is perfectly prepared should be protected, because individuals will otherwise be unwilling to encounter the competition of countries which have preceded them in those departments; in fact, no nation can, without incurring the contempt of the world, besides heavy losses, endure a retrograde movement and inequality in its commercial relations. Modern history attests, in many instances, the justness of these remarks. The degree of protection and preference accorded to the inhabitant of a country, the measures adopted by States to assure their independence in reference to other States, have varied. The parent idea is everywhere the same, and its influence was felt in no small degree before the nature of international commerce was well understood. The mercantile system was but the first step towards its scientific explanation. It has been fully shown that this system was defective, that it wanted a good analysis of commerce, and that its inaccurate conceptions had misled governments, and induced them to adopt false measures."

"But the idea of the completest development possible of the interior economy of a nation, and of entire equality in relations with other countries, the mercantile system did not conceive nor understand; it attempted only to explain and elaborate. The refutation which it has met has not taken away the necessity of national independence; the modern theory has not succeeded in suppressing it. This necessity has continued to be the rule, until now, of the commercial legislation of all independent States. It is for science to bring this subject to its proper limits, and to ascertain to what extent a nation can be economically independent without inflicting any undue injury upon the economy of individuals, and how the free action of individuals can be reconciled with the exigencies of national sentiment and national honor."

Rau, in the last edition of his *Treatise upon Political Economy*, (Vol. I.,) erroneously reproaches List with placing manufacturing industry above agriculture. It is the degree of civilization in which manufactures flourish

at the side of agriculture that List prefers to that in which agriculture exists alone and in an imperfect state; but Rau admits that in certain cases and in certain conditions, theory justifies the protection of the labor of a country.

Baron Reden, who has published numerous and important works upon statistics and social economy, and who, we remark in passing, by the unwearied cares of twenty years, has amassed the most valuable collection of statistical works and documents which exist in Europe, was, it is known, one of the leaders of the protectionists in the parliament of Frankfort-on-the-Main.

Among the followers of List in Germany, I cannot omit *A. Christ*, author of a work published in 1851, under the title, *Of the actual state of the question of protective duties.* — [H. R.]

BOOK III.—SYSTEMS.

CHAPTER I.

THE ITALIAN ECONOMISTS.

ITALY has preceded all modern nations in the theory as well as in the practice of political economy. Count Pecchio has published a conscientious history of that branch of Italian literature, the only defect of which is its being too servilely faithful to the theory of the School, and its not exhibiting fully the principal causes of the ruin of industry in Italy, that is, the want of unity in the great nations formed under the influences of hereditary monarchy, the domination of the Church of Rome, and the downfall of liberty in the republics and in the cities.

The first special work on Political Economy written in Italy is that of *Antonio Serra*, of Naples, on the means of attracting gold and silver into a country.

Say and McCulloch seem not to have read more of this book than the title; both turn from it disdainfully, observing that the author treats only of money, and that he has committed the error of regarding as riches only the precious metals. If they had read a little farther, if they had studied it ever so little, they might have found there some useful lessons. *Antonio Serra*, though guilty of the error of regarding abundance of gold and silver as a sign of wealth, has, however, very clear ideas as to the origin of riches. He places in the first rank, it is true, mines, as being the direct sources of the precious metals, but he does every justice also to the indirect means by which they are obtained. Agriculture, industry, and commerce, are,

in his eyes, the principal sources of national wealth. A fertile soil is a true source of prosperity, but manufactures are a still more fruitful source, for different reasons, but especially on account of the vast commerce to which they give rise. The fecundity of these sources depends upon the qualifications of the people; for instance, upon their industry, their activity, enterprise, economy; upon their natural and local advantages; upon the favorable situation of its cities for maritime commerce. Above all these causes, Serra places the form of government, public order, civil liberty, political security, stability of laws. "A country," says he, "can never prosper if each new ruler enacts new laws. It is, perhaps, for that reason that the States of the Holy Father are less flourishing than others, the government and legislation of which are more stable. See the influence which in Venice a continuance of the same policy for centuries has had upon public prosperity." Such is the substance of a system of political economy, which though it appear to have no higher view than the acquisition of the precious metals, is distinguished as a whole by its consonance with nature and good sense. The work of J. B. Say, which, we admit, develops economical notions of which Antonio Serra had no idea, is very inferior to that of Serra in the principal topics, and especially in the exact appreciation of that policy which favors the wealth of nations. If Say had studied Serra instead of slighting him, he might have hesitated to maintain, as he does, in the first page of his *Treatise upon Political Economy*, that political economy has nothing to do with the constitution of states; that under all forms of government, nations have grown rich and have become impoverished, and that it is only important for a nation that its government be well administered.

We are far from being inclined to contend for the *absolute* superiority of any one form of government over all others. It suffices but to cast a glance at the States of South America, to be convinced that democratic rule in nations not quite ripe for it, may produce results decidedly retrograde in the matter of their prosperity.

A glance at Russia suffices to demonstrate that nations of an

inferior degree of culture, may, under an absolute monarchy, achieve a very remarkable material progress. But this, by no means, proves that under any form of government, nations may grow rich and attain the highest degree of prosperity. On the contrary, history teaches that the degree of public prosperity, marked by manufactures and a flourishing trade, can only be reached in countries of which the political institutions, whether democratic, aristocratic, or monarchial, fully guarantee to the people liberty of person and security of property, and insure an active and energetic administration of social interests, with perseverance in a wise policy. For in an advanced state of civilization, it is not of so much concern that a government be well administered for a time as that it be constantly and uniformly well administered; and in such manner, that a new administration shall not destroy the good done by its predecessors; that such a government as that of Colbert for instance, of thirty years' standing, shall not be followed by a revocation of the Edict of Nantes; that for ages one and the same good system is persevered in for one and the same good end.

The political institutions in which the interests of the people are represented, and not an absolute government in which the administration changes with the person of the monarch, are those only, as Antonio Serra remarks, which afford the required stability of administration.

There exist, however, degrees of culture, when an absolute government may be, and indeed generally is, much more favorable to the material and moral progress of a country than a constitutional government; we mean the period of slavery, servitude, barbarism, superstition, national sub-division and exclusive privileges. For in such cases a constitution favors the continuance, not only of what are national advantages, but also the continued domination of abuses; whilst the interest of an absolute government is often to extirpate abuses, and prepare the way for some monarch in the succession, of such energy and intelligence as may in one reign carry the nation centuries ahead, and open for it an indefinite career of independence and progress.

It is by the aid, then, of a common-place, true only in a relative sense, that J. B. Say endeavors to distinguish his doctrine from politics.* Of course it is important above all, that a government be well administered, but the goodness of the administration depends not a little on the form of government; and the best form of government is evidently that which best responds to the moral and material condition of the country with a view to its future welfare. Nations have advanced under all forms of government, but they have reached a high degree of economical development, only where the form of government secured a high degree of personal liberty and public power, stability in legislation, in policy, and good institutions in general.

Antonio Serra saw things as they are, and not through the spectacles of a preconceived system, or of a single principle which he is endeavoring to justify and establish. He compares the situation of the different States of Italy, and finds the greatest wealth where he finds the most active commerce; where he finds an advanced manufacturing industry, and where civil liberty is most fully enjoyed.

The opinion of *Beccaria* was biassed by the false maxims of the physiocrats. His works prove that he discovered, either before Adam Smith, or about the same time, the principle of the division of labor, or he may have found it in Aristotle; he carries it even farther than Adam Smith, for he does not limit it to the sub-division of the work in any particular branch of manufacture; but he shows how the distribution of the various portions of society, in the pursuit of different branches of industry, tends to public prosperity. He does not hestitate, however, to maintain with the physiocrats, that manufacturers are not productive.

* It is a fatal error in the Political Economy of the School of Say, that it abjures politics. If the object of both is to promote human well-being in society, and if the two subjects touch at every point, it is impossible to develop either without running into the other. It is folly to say that a government ought not, by all its power and wisdom, to aid the economical development of a country. It is rather one of its highest duties. — [S. C.]

Nothing can be more narrow than the views of the great publicist *Filangieri*. Imbued with a false cosmopolitism, he thinks that England by her commercial restrictions, has only given a premium to smugglers, and thus diminished her commerce.

Verri, who, as a practical statesman, could not err in this respect, admits that it is necessary to protect indigenous industry against foreign competition; but he does not see, or did not venture to say, that such policy supposes a large territory and unity of institutions.

CHAPTER II.

THE INDUSTRIAL SYSTEM, (IMPROPERLY CALLED THE MERCANTILE SYSTEM).

WHEN great nations are formed by a union of lesser nations, under an hereditary monarchy, and by a systematic centralization of public power, manufactures, commerce, and navigation, that is, wealth with maritime power, find their safest retreat and largest growth in municipal republics or confederations of such republics. In proportion, however, as the institutions of such great nations become developed, the necessity of naturalizing the essential elements of power and wealth becomes better understood.

Perceiving that these could only take root and flourish in the soil of freedom, royal authority favored municipal liberty as well as corporations; in which were found a new point of support against feudal aristocracy, at once jealous of its power and hostile to national unity. These means, however, were found to be insufficient; the advantages which private individuals enjoyed in *free* cities or republics, were more considerable than any which monarchs could or dared to bestow upon the inhabitants of their municipalities. Under the rule of free competition it is very difficult, if not impossible, for a country which has hereto-

fore been chiefly engaged in agriculture, to supersede those who for centuries have been active manufacturers, merchants or navigators; finally, in great monarchies, feudal institutions proved to be an obstacle to the development of agriculture; and consequently to the progress of manufactures. The natural course of things has thus induced royal governments to restrict the import of foreign products, to put a check upon all foreign trade and shipping, and to favor domestic manufactures, commerce and shipping.

Hitherto, public revenue was derived chiefly from duties upon exports of raw materials; they began now to be levied chiefly upon imports of manufactured products. This policy induced the merchants, seamen, and manufacturers of cities and countries hitherto more advanced in the processes of industry, to take up their residence in those great monarchies, carrying their skill and capital where they found the greatest encouragement, and the surest support. The birth of industry was quickly followed by that of liberty. The feudal aristocracy was compelled for its own sake to make concessions to industrial and trading as well as to rural interests. Hence a progress in agriculture, which reacted favorably in its turn upon the other chief elements of national riches. By the aid of this system and of the reformation, England grew from century to century, in productive and political power, and in liberty. In France this system was in operation for some time with success; but the experiment was checked there for want of a reform in feudal institutions, in the church, and in the monarchy. The Polish nation perished because its elective monarchy lacked inherent vigor; it had neither sufficient power nor stability to raise up a strong middle class, and to reform its feudal institutions.

Under the influence of such a policy, in place of a commercial and manufacturing city, and of an agricultural province often without political ties, a nation appears, constituting an harmonious and complete whole in itself; a nation in which the discrepancies which had existed between monarchy, feudal aristocracy, and plain citizenship, were brought into satisfactory concord; whilst, on the other hand, agriculture, manufacturing

industry and commerce, were maintained in the most intimate harmony. This was a social state infinitely more perfect than the preceding; for manufacturing industry, heretofore confined within the narrow limits of cities, was extended over vast territories, all the resources of which were at its disposal; the division of labor, and the concentration of productive power in the different branches of manufacturing industry and agriculture, were realized upon a much larger scale; the numerous class of agriculturists was politically and commercially brought into contact with manufacturers and merchants, and thus a perpetual peace was established between them; the reciprocal action of agriculture and manufacturing industry was for ever secured; and lastly, agriculturists were admitted to all the benefits which accompany manufactures and commerce. A country at once agricultural, manufacturing, and commercial, is like a city embracing the whole of a nation, or a territory enjoying all the advantage of a city.

Whilst material production increases by virtue of such concentration, moral power cannot fail to be developed, political institutions to be improved, public income, population, and the means of defence to be increased. The nation, therefore, which most fully realizes a condition at once agricultural, manufacturing, and commercial, is that which in our day will be found taking the lead among nations.

The industrial system was not first brought before the world in books; it was not imagined by authors or professors, it was merely and simply the growth of national experience down to the time of Stewart, who sketched its main features in his works on political economy, in great part, according to the then settled policy of England, as Antonio Serra had previously drawn the elements of his system from the history of Venice. Stewart's work is not properly a scientific book. Money, banks, the circulation of paper, commercial revulsions, the balance of trade and population, occupy the greatest part of it. His development of those subjects is still instructive in more than one respect; but the topics are presented without order or skill, the same idea being repeated sometimes as often as ten times. The other topics of political economy are superficially treated or wholly omitted.

Neither productive power nor the elements of prices are thoroughly examined. The author, in all he says, keeps ever in view the experience and the position of England. In short, his book has all the merits and all the defects of the English system and the policy of Colbert.

We present the following summary of the merits of the industrial system in comparison with the systems which have succeeded it:—

1st. It assumes the importance of manufactures and their influence on the agriculture, commerce, and navigation of a country, and frankly acknowledges their importance.

2d. It aims, in general, at the best mode of establishing manufacturing industry in a nation properly situated for that purpose.*

3d. It takes the idea of a nation as its starting point, and treating nations as unities, keeps the attention constantly fixed upon national interests. We give now the principal points in which the system is deficient:—

1st. It furnishes in general no exact notion of the principle of the *industrial education of a people*, nor of the conditions of its application.

2d. It excites, consequently, among people who live in climates ill-suited for manufactures, or in States too small or unfavorably situated, an awkward, untimely imitation of the protective system.

3d. To the detriment of agriculture it extends protection to

* "In order to promote industry, a statesman must act as well as permit and protect. Could ever the woollen manufacture have been introduced into France from the consideration of the great advantage England had drawn from it, if the king had not undertaken the support of it by granting many privileges to the undertakers, and by laying strict prohibitions on all foreign cloths? Is there any other way of establishing a new manufacture anywhere?"—*Stewart's Pol. Econ., Book I.* — [List.]

So Russian statesmen have, for thirty years, advised and acted. That government has specially assisted, by loans and otherwise, various branches of manufacture, and has completely succeeded in domesticating them to the unspeakable advantage of the country. Manufactures of cotton, iron, woollens, silks, and many others, are now flourishing in that country under this fostering policy. The principle is not unknown in this country. The State of Virginia subscribes three-fifths of the stock of the turnpikes, railroads, and canals, undertaken by its citizens; that is, it furnishes more than half the capital of certain enterprises in which the people engage for their own benefit. — [S. C.]

raw materials, though agriculture be sufficiently protected by the nature of things against foreign competition.

4th. To the detriment of agriculture and against all justice, it favors manufactures by restraining the exportation of raw materials.

5th. It does not teach the nation which has reached manufacturing and commercial supremacy the policy of opening its markets to free competition to preserve its manufacturers and merchants from inaction and careless security.

6th. In the exclusive pursuit of its special policy, it disregards the international relations of people; it induces governments to resort to prohibition where protection would suffice, or to impose prohibitive duties where moderate duties would answer better.

7th. Finally, by the complete oblivion of the cosmopolite principle, it loses sight of a closer union of nations at a future time; of the establishment of perpetual peace; and of the general freedom of trade, — objects at which all nations should aim, and to which they must continually approximate.*

* The French translator adds here this remark: — "Is this reproach merited? Is it true that the policy of this system is exclusively directed towards the means of restriction, and that it overlooks the end, which is liberty? This cannot at least be said of the protective system of France, long as it has been in operation. De Saint Crieq did not regard protection as perpetual; in offering the *projet* of the tariff of 1829, he announced distinctly that it was proper to *tend towards commercial liberty;* and it is right to add that such has been always the doctrine of the French administration since that time."

The concession here implied is too large. It admits the policy of free trade to be sound in theory. The true element should never be forgotten— *the best interests of the people.* We must not shape our present policy with a view to ultimate free trade. The inquiry being ever, what is best for the whole population, we must adopt at once what is best now, whether free trade or restriction. It must never be admitted that the policy of a people can be developed from free trade; and it must never be lost sight of, that free trade among merchants may be contemporaneous with the most degraded condition of the people. The poorer the laborers, the lower the wages; the cheaper the goods, the greater the trade. Very great trade is very far from being the proof of a proper degree of comfort among the masses who furnish the commodities of trade. The greatest producers in the world may be those who are badly fed, badly clothed, and badly educated, or not educated at all. — [S. C.]

Modern Schools have unjustly reproached this system with recognizing no other wealth than the precious metals, whilst these are merely articles of commerce in common with others; and with holding the doctrine of selling to other countries as much as possible and of purchasing from other countries as little as possible.

The first reproach cannot be maintained against the administration of Colbert; nor can it be urged that England, since the time of George I., has placed too high an estimate upon the policy of importing the precious metals. To encourage manufactures, shipping, and foreign commerce, such were the objects of their commercial policy, a policy not without its defects, but which, on the whole, produced important results. We have seen that since the treaty of Methuen, England annually exported to the East Indies large quantities of the precious metals without its being regarded as a public evil.

When the ministers of George I. prohibited in 1721 the importation of cotton fabrics and silk goods from India, they did not say that the policy of a nation consisted in selling to foreigners as much as possible and in purchasing from them as little as possible; this absurdity was added to the industrial system by a later School. They merely declared that a nation could arrive at power and wealth only by exporting its manufactured products and importing raw materials and food. England has hitherto steadily pursued this line of policy, and by it she has attained her present power and wealth; it is the only safe policy for a country of ancient civilization and of well-advanced agriculture.*

* Whatever the errors and absurdities of the mercantile system, as practised and developed by the statesmen of England during the past two centuries, they bear no comparison with the errors and absurdities which the future historian of political economy will find in the theory now in vogue, as developed by authors and professors of political economy. Both these systems exaggerate the importance of commerce, and make it a chief agent in the production of wealth. They forget that commerce is a mere handmaid of industry, the agent for the distribution of the products of industry. The mercantile system has this advantage over the modern School, that it employed commercial restrictions as a mode of protecting

CHAPTER III.

THE SCHOOL OF THE PHYSIOCRATS; OR THE AGRICULTURAL SYSTEM.

If the wise efforts of Colbert had not been foiled, if the revocation of the Edict of Nantes, the pride of Louis XIV. and his passion for glory, if the debauchery and dissipations of his successor had not destroyed the germs planted by Colbert, and if a class of rich manufacturers and rich merchants had been formed, if a fortunate concurrence of circumstances had placed the property of the clergy in the hands of the laity, and if an energetic Third Estate, with its appropriate chamber of legislation, had been created under the influence of which the feudal aristocracy might have been reformed, the physiocratic system had probably never seen the light. It is obvious that this system was conceived and had its birth in reference to the situation of France at the time when it appeared, and that it was calculated only for that state of things.

The greatest part of the soil of France was at that time in the hands of the clergy and nobility. The peasants who cultivated it languished in servitude and personal subjection, victims of superstition, ignorance, idleness, and misery. Those who possessed the instruments of production were wholly ad-

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and stimulating industry, whilst the latter asks no favor for man or for industry, it simply demands free trade, and expects all other blessings to flow from the operations of merchants unrestrained in their trade, free to do whatever the spirit of gain may dictate. If the old system has been dubbed the mercantile system, the other should be named the commercial system, as being, in fact, far more intensely commercial than the former. It places the entire interests of industry, and of course the entire material interests of men, in the hands of merchants.

We trust the time is not far remote when the era of the industrial system will be inaugurated not merely for the production of wealth, but aiming at the promotion of human comfort and human advantage, national wealth and national strength. — [S. C.]

dicted to frivolous pursuits, and had neither intelligence, nor taste for agriculture; those who held the plough were deprived of intellectual and material resources for agricultural improvements. The pressure of feudal institutions upon agriculture was aggravated by the insatiable demands of monarchy upon producers, and those demands were the more difficult to satisfy, as the nobility and clergy were exempt from taxes. In such circumstances, the most important industries, those founded upon the agricultural production of the country, and upon the consumption of the great mass of the population, could not flourish. Those only could prosper which furnished the privileged classes with articles of luxury. Foreign commerce was limited by the inability of the laboring classes to consume large quantities of tropical commodities, and to pay for them with the surplus of their products; the internal trade was nearly extinguished by provincial custom-houses.

It is very natural in such a state of things that thinkers, reflecting upon the causes of the misery then prevailing, should be convinced that so long as agriculture should labor under such disadvantages; so long as the proprietors of the soil and of capital should be without interest in it; so long as peasants should remain in subjection to superstition, idleness, and ignorance; so long as taxes should not be diminished nor justly imposed, internal custom-houses must be continued, foreign commerce could not flourish, and the country could not prosper.

But these philosophers were physicians of the monarch, court protegés, and intimate friends of the nobility and clergy; they did not wish to make open war upon absolute power any more than upon the clergy or the nobility. No better expedient offered than to conceal their plan of reform in the darkness of an abstruse system, just as before and after them ideas of political and religious reform were veiled under the semblance of philosophical systems. After the example of the philosophers of their time and country, who, amidst the perturbations of France, sought some consolation in the vast field of philanthropy and cosmopolitism, as the father of a family, ruined and in despair, betakes himself for relief to the recreations of the

tavern, the physiocrats, infatuated with the cosmopolite principle of free trade, seized upon it as an universal panacea, capable of curing all the evils of humanity. After having gained that idea in a very wide range of thought, they dug deeply, and found in the *net income* of the soil a basis conformable to their views. Their system was then announced: "The soil alone yields a net income, consequently agriculture is the only source of wealth" — a maxim from which important consequences were deduced. At the first step the whole feudal edifice was to fall, and that for the special benefit of the proprietors of land; all taxes were to be imposed upon land as the source of all wealth, and thus the privileges of nobility and clergy were to cease; finally, manufacturers being an unproductive class, paying no taxes, were to have no protection from the State, and, of course, import duties were to be suppressed.

In a word, they had recourse to the most absurd arguments and allegations to establish the great truths they had undertaken to prove.

Of the nation, of its degree of culture and of its condition relatively to other countries, there could be no question, for *L'Encyclopédie Méthodique* taught that the "welfare of individuals was dependent upon that of the whole human family." There were to be according to this system no nations, thereafter, no wars, no commercial restrictions on the part of foreign countries; history and experience were thus either disregarded or defaced.

This theory had the great advantage of appearing to be opposed to the system of Colbert and the privileges of manufacturers, and of favoring the owners of land, whilst in fact it bore with great severity upon the privileges of proprietors. Poor Colbert was made solely responsible for the sad state of French agriculture, though it was well known that France possessed no very successful department of industry until after the time of Colbert; and though mere common sense teaches that manufactures are the chief means of promoting the prosperity of agriculture and commerce.

The revocation of the Edict of Nantes, the foolish wars of

Louis XIV., and the prodigalities of Louis XV. were entirely forgotten.

Quesnay in his subsequent works reproduced and affected to refute, one by one, the objections which his system had encountered; and it astonishes us to notice how much good sense he puts in the mouths of his adversaries, and with what mystical absurdities he opposes them. These absurdities were nevertheless regarded as wisdom by his contemporaries, because the tendencies of his system responded to the condition of France at that time, as well as to the cosmopolite propensity of the eighteenth century.

CHAPTER IV.

THE SYSTEM OF EXCHANGEABLE VALUE, IMPROPERLY CALLED BY THE SCHOOL THE INDUSTRIAL SYSTEM.*

ADAM SMITH.

THE doctrine of Adam Smith in regard to international commerce, is but a continuation of that of the physiocrats. Like the latter, it disregards nationality; it excludes almost entirely politics and government; it supposes the existence of perpetual peace and universal association; it depreciates the advantages of national manufacturing industry, as well as the means of acquiring it; it demands absolute free trade.

Adam Smith, following the traces of the physiocrats, has committed the capital fault of considering absolute free trade as a dictate of reason, and of neglecting to study profoundly the historical development of that idea.

* It is only in opposition to the absolute agricultural system of the physiocrats that the epithet *industrial* has been applied to the system of Adam Smith. It is indeed by no means applicable if taken in the sense of *manufacturing;* for although Smith admits that manufactures are productive, he does not conceal his preference for agriculture and agriculturists. — [H. R.]

The intelligent biographer of Adam Smith, Dugald Stewart, informs us that twenty-one years before the publication of his book, in 1755, in a literary society, Smith pronounced the following words, which appear to give him the priority of the idea of free trade: "Men are ordinarily considered by statesmen and projectors, as the material for a kind of political industry. These projectors disturb the operations of nature in human affairs, whilst they should be let alone and be permitted to act freely for the purpose of working out their end. To elevate a nation from the lowest degree of barbarism needs but three things: peace, moderate taxes, and a tolerable administration of justice. All the rest comes in the natural course of things. Every government which opposes itself to this natural current, or which attempts to give to capital a different direction, or to arrest society in its progress, revolts against nature, and in maintaining this policy becomes a tyrant and an oppressor." That fundamental thought was Adam Smith's starting point, and his later works had no other end than to establish and to demonstrate it. He was confirmed in it by Quesnay, Turgot, and other leaders of the physiocratic school, with whom he became acquainted on his visit to France, in 1765.

It is obvious that Adam Smith regarded this idea of free trade as the basis upon which he was to found his literary reputation. It is natural that he should exert himself in his work, to set aside, and to combat every obstacle to that idea; that regarding himself as the *champion of absolute free trade* he should write under the influence of this preconception.

With such prepossessions how could he appreciate facts and men, history and statistics, the measures of governments and their authors, from any other point of view than that of their conformity or discrepancy with his principle?

The passage cited from Dugald Stewart, contains the germ of Adam Smith's whole theory. Government should and can have no other task than to administer strict justice, and to make taxes as light as possible. Statesmen who attempt to promote manufactures, increase shipping, encourage external trade, and protect it by naval power, to found or acquire colonies, are

in his view projectors who arrest the progress of society. In his eyes there is no nation; he regards only society, that is, an union of individuals. Individuals know perfectly the business or industry which is most advantageous to them, and are perfectly capable of choosing the means which will conduct them to well-being.

This complete annihilation of nationality and government, this exaltation of individuality, which thus became the origin of all productive power, could only claim favor by taking as the object of its studies or speculations, not productive power, but the product itself, — material riches, or rather, only the exchangeable value of the product. Materialism was required as an escort to individualism, in order to conceal the immense advantages which the individual derives, or may derive, from the nation, and from its combination or association of productive powers. It was necessary to reduce political economy to a mere *theory of values*, since values are only produced by individuals, and since the State, unable to create values, must confine all its activity to awakening, protecting, and encouraging the productive power of individuals. From this point of view, political economy may be thus briefly summed up :—Wealth consists in the possession of exchangeable values: Exchangeable values are produced by individual labor combined with natural agents and capital: Capital is formed by saving, or by the surplus of production over consumption: As the amount of capital employed is greater, so is the division of labor; and so, consequently, is productive power: Private interest is the best stimulus to labor and economy. The wisest national policy, according to this theory, must of course consist in removing all restraints upon activity or enterprise, and in providing well for the general security. It is a folly to compel individuals by law to produce themselves what they can purchase at a lower price from others.

This system, so consistent in itself, analyzing and tracing with such clearness the elements of wealth and the work of production, and appearing to refute so completely the errors of preceding Schools, could not fail of being accepted in the absence of others more plausible. But at the bottom this system was

nothing else but the private economy of all the individuals of any particular country, or of all the individuals in the world, such as might be propounded if there were no nations, no national interests, no wars, and no national passions; it was nothing but a theory of values, a theory of the counting-house, and not a doctrine which taught how all the productive powers of a nation are awakened, increased, maintained and preserved for the benefit of its civilization, prosperity, power, duration, and independence.*

* In one sense, at least, the system of Smith and Say is not fairly consistent with itself. It appears to consult the interests of individuals by claiming for them the right of freedom from intervention in private affairs on the part of government. It claims that the whole subject of industry and trade shall be free from the hand of government. It assumes that this must be an advantage to individuals, and in this assumption commits a great mistake. It lays that down as a law of political economy which should ever be an open question, subject to the discretion of individuals under all the varying circumstances in which they may be placed. What is best for individuals in trade and industry cannot be laid down *à priori*, even as to the wishes of individuals. What is best for a community must generally be not the united wishes of all the individuals, but a compromise of their conflicting interests, which can only be made and enforced by government. The government may as effectually favor a particular class by abstaining from action as by action. Leaving trade entirely free is protection of the highest order to merchants, though it may consist in doing nothing. Building navies to protect commerce is, on the other hand, positive protection. It is a fatal blunder indeed to assume that a whole community of individuals can judge best what is good for them as a whole. It is true, the largest liberty must be allowed them; but, in the matter of trade and industry, as in everything else, it is the largest consistent with their good. There is a continual disposition on the part of different individuals and classes to prey upon others; this needs to be constantly repressed by the hand of authority. In no case is this disposition to prey upon others more visible than in trade; and in no case of life, or liberty, or property, do men more require to be protected from each other; yet free trade leaves the career of doing and deciding for themselves entirely free to men of trade. They are supposed to understand the interests of a whole country best, and to be so disinterested as to be guided by the interests of a country, instead of being guided by their own. Free trade does not, in point of fact, give any freedom to industry, or leave to individuals the choice of their employments. It turns over the whole subject to a comparatively small class of merchants; instead of leaving men free to

This system regards everything from a commercial point of view. The value of things is wealth: to acquire values was to obtain wealth. The development of productive power is abandoned by it to hazard, nature, or Providence, as it may happen. As for the government, it has no part in the matter, and as for public policy, it has no concern in the accumulation of values. Merchants always desire to purchase in the cheapest market; heavy importations may ruin the manufactures of the country; it is of no consequence. If foreign nations grant premiums of exportation on their manufactured products, so much the better, their goods come so much the cheaper. Only those who produce exchangeable values are producers in their eyes. The advantages in detail of the division of labor are understood, but the division of labor which applies to the nation is not perceived. It is only by the way of individual saving that capital is increased, and it is only in proportion as capital is increased that business is increased or extended. As to the development of productive power produced by the establishment of manufactures, by external trade, and by that national vigor which is the result, no value whatever attaches to it. The future of a nation is of no importance, provided the individuals of which it consists acquire exchangeable values. Of land, the rent is alone deemed worthy of notice; the value of the soil is not considered. This system is blind to the fact that the greatest part of the

choose their occupations, it takes away that freedom, and brings the competitions, the changes, the chances, and the revulsions of all the nations of the world to bear upon the industry of every particular country. In such a complication, how could the mass of the individuals of a country decide intelligently what course of industry was most for their interest? Such, in fact, must ever be the fluctuations of foreign trade, and especially of free trade, that what is best one year may be the worst another. Universal free trade would gradually commit the material interests of men to the hands of a small number of capitalists — a class which would tend to grow smaller as the leading men accumulated larger capitals. The control would gradually fall into the hands of the Rothschilds, Barings, and Girards. This system favors a few individuals, therefore, at the expense of millions. Universal free trade would place the commerce and industry of the world under the dominion of English capital and English manufacturers. — [S. C.]

wealth of a country consists in its cultivated lands and in its real estate. The influence of trade upon the value of land, the fluctuations and calamities incident to trade, and which are visited indirectly upon lands, claim none of their attention; in a word, it is the most absolute, the most consistent mercantile system which has ever existed, and it is incredible that Colbert's system, quite industrial in its tendencies, has borne that name; since, taking no account of gain or loss in exchangeable values, it had only in view the creation of a national industry and a national commerce.

Our intention is not, however, to call in question the eminent merits of Adam Smith. He was the first to apply with success the *analytic method* to political economy. By the aid of that method and his extraordinary penetration, he carried light into very important subjects which had previously been enveloped in darkness. Before Adam Smith there was only one system; his labors have rendered possible the construction of a science of political economy; he has furnished for that purpose more materials than those who have preceded or those who have succeeded him.

But the same powers of mind to which we owe his remarkable economical analysis, explain *why* he was not able to keep in his view society as a whole; why he was not able to bring together the details into an harmonious whole; why he has neglected the nation for the individuals; why, preoccupied with the unrestrained activity of producers, he has lost sight of the great object of the nation. He who understood so well the advantages of division of labor in a manufactory, did not perceive that the same principle applies with the same force to provinces, districts, and entire nations.

Our opinion accords entirely with what Dugald Stewart says of Adam Smith. Smith appreciated certain traits of character with rare sagacity; but when he pronounces judgment upon the entire qualities of a character, or upon the whole of a book, we are at once surprised at the narrowness and unsoundness of his views. He could not judge correctly even those with whom he had lived in terms of intimacy for many years.

"Any portrait drawn by him," as his biographer remarks, "was always lively and expressive; it had a great resemblance to the original considered under a certain point of view, but it did not reproduce the original complete and exact in all its features and members."

CHAPTER V.

CONTINUATION OF THE FOREGOING.

J. B. SAY AND HIS SCHOOL.

J. B. SAY has in point of fact only arranged the materials confusedly amassed by Adam Smith, thereby rendering them intelligible and popular; he possessed in a high degree the talent of systematizing and explaining, and was therefore fully successful.

There is in his writings nothing new nor original,* except that he claims for intellectual labor the quality of productiveness, which is refused to it by Adam Smith. But that idea, however correct in the theory of productive power, is in contradiction with that of exchangeable values, and Smith is evidently more consistent with himself than Say. Intellectual laborers do not produce directly exchangeable values: they rather diminish directly, by their consumption, the mass of income and savings, or material wealth. The ground, therefore, upon which J. B. Say from his point of view attributes productiveness to intellectual labors, that they were paid with exchangeable values, is not tenable; for those values are already produced before passing into the hands of intellectual laborers. They only change owners, but their quantity is not increased by that exchange. The title of producers can be given to intellectual laborers only so far as national wealth is found to consist in the productive

* List has forgotten the theory of markets, the discovery of which by Say is not disputed by the English economists.

power of the nation, and not in the possession of exchangeable values. Say was placed in this respect relatively to Smith in the same position as Smith had occupied relatively to the physiocrats. In order to class manufacturers among producers, Adam Smith was obliged to enlarge the idea or definition of wealth; and Say, on the other hand, found himself in the alternative of adopting either the absurdity of Adam Smith, that intellectual labor is not productive, or of enlarging the definition of national riches, as his predecessors had done, by applying it to productive power, and defining national riches not as consisting in the possession of exchangeable values, but in productive power; as the wealth of a fisherman consists not in possession of fish, but in the apparatus for and power of catching fish.

It is worthy of remark, and, if we do not mistake, the fact is not generally known, that J. B. Say had a brother who had the good sense and sagacity to discover the imperfections of the theory of exchangeable values, and that, feeling the force of his brother's objections, he could not but entertain doubts himself of the truths of this doctrine.

Louis Say, of Nantes, thought that a vicious nomenclature had been introduced into political economy, which had been the source of many difficulties, and that his brother, J. B. Say, was not free from censure in this respect.* In his opinion the wealth of nations consists not in material property and in its exchangeable value, but in the power of producing it in a continuous manner. The theory of exchangeable value as held by Smith and J. B. Say regards wealth merely in the narrow sense of merchandise; and the system, which affects to reform what is called the mercantile system, is itself but a mercantile system not less narrow. J. B. Say replied to the doubts and objections urged against his system by his brother, that although his system or theory of exchangeable value was far from being good, the difficulty was to find a better.†

* Louis Say: *Etudes sur les Richesse des Nations;* Preface, page IV.

† We produce the very words of Louis Say, from his pamphlet, published in 1836. "Although Adam Smith has contributed much to the advancement of the science of the wealth of nations, yet his false theory and the

How to find a better! Had not his brother Louis found it already? But the economists either had not sufficient penetra-

vicious nomenclature introduced by him have given rise to nearly all the difficulties it presents." Preface, IV.

"The wealth of a man consists in his power to supply his wants and gratify his tastes; provided, however, that this power is not merely for the moment; for he who has an abundance for a day is not so rich as he who has a less quantity for a great many days."—Page 10.

"The modern School of Adam Smith calls the School which regarded the precious metals as the only wealth, the mercantile system. Merchants regard wealth as consisting of the exchangeable value of what they possess; it is their system which ought to be called the mercantile system."—Note, page 14.

"When my brother, J. B. Say, asked my opinion of his Treatise upon Political Economy, I was struck with the light shed by it upon the science in establishing, 'That there is only a production of wealth when there is a creation or augmentation of utility; and by utility he means the power which certain things have of satisfying the wants of men:

"That the utility of a thing constitutes its real and technical value:

"That wealth is in proportion to this value.

"But, as I proceeded farther, and found that he employed the exchangeable or commercial value of things to estimate their utility, I could not but remark to him that I regarded this method of valuation as inexact, and even as involving very grave errors. He replied, that in fact the method was far from being good, but the difficulty was to find a better."—Note, page 36.—[H. R.]

Richelot adds to the foregoing note two other passages from the same production of Louis Say, in which he expresses opinions differing from those of Smith and J. B. Say; and in the last of which he uses these words:—"To sum up what I have said on this subject, I think there is no need of adopting absolutely in regard to foreign trade, either the system of free trade or the system of restriction without limits. Taxes upon the consumer ought to be tolerated, because the result may be an evident advantage for the wealth of the nation."—Page 75.

J. B. Say's Treatise, which has exercised such undisturbed sway in this country, encountered many other and more formidable critics than his brother in France and elsewhere. The pressure of their objections was sufficiently powerful to force from him in his *Complete Course of Practical Political Economy*, explanations and admissions even more important than that made to his brother. At the very time that the Treatise was at the height of its popularity, and when it was in course of translation into various languages, and of introduction into numerous institutions of learning, J. B. Say was before his own special class of students making modifi-

tion to understand and develop the idea vaguely expressed by the brother of J. B. Say; or else they hesitated to dissolve a School already founded, and to teach precisely the opposite of the doctrine to which J. B. Say owed his celebrity.

What belongs to Say in his works is merely the form of the system; it is his definition of political economy as the *science of the production, distribution, and consumption of riches.* It is due to this happy division of the subject, and to his mode of handling it, that J. B. Say succeeded and became the head of a School. There is nothing astonishing in this; the reason, indeed, is palpable; for its author had sketched with plausible clearness the processes of production and the individual power which it employs; he had, within his special limits, made the principle of the division of labor intelligible, and he had very distinctly explained the process of exchange between individuals. There was neither workman nor shopkeeper who could not understand; because, in fact, J. B. Say had taught very little that was new. For it was long known, in even the humblest pottery, that the hands and the skill of the potter or the laborer were to concur with the clay or raw material, to produce, by means of a wheel, a furnace, fuel, and capital, articles of pottery, or products having value, or exchangeable values. The application of a new nomenclature or of learned words to these things had not been made before his time, nor was the generalization by means of these words familiar.

Very few shopkeepers were ignorant before they were taught by J. B. Say, that in an exchange both parties might realize a gain, and that he who exports a thousand dollars' worth of goods abroad, and imports, in return, goods to the value of fifteen hundred dollars, has made a profit of five hundred dollars. It was generally known long before, that labor brings wealth and that idleness brings misery; that personal interest is the most powerful stimulus to activity; and that if one wishes to

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cations and explanations of his system of serious import, which are yet unknown to most of his votaries, and which, so far as we know, no subsequent editor of his Treatise has indicated. See remarks of the Editor, in which this inconsistency is more fully pointed out. — [S. C.]

have chickens he must not eat the eggs. It was not known, it is true, that all this was political economy; but people were delighted at being so easily initiated into the profound secrets of the science, at the prospect of being thus delivered from the odious taxes which so enhanced the prices of those articles of consumption which they most prized, and of obtaining, besides, perpetual peace in the markets of the world, and a millennial fraternity of trade throughout the whole earth. It is, therefore, not surprising that so many learned men and public functionaries have taken sides with the admirers of Smith and Say, for the principle of *laisses aller*, *laisses passer*, [allowing things to take their own course], required no effort of intelligence, except from those who had first brought it to light and established it; nothing was left for the writers who followed them but to reproduce the same positions and arguments, and to adorn and explain them. Who would not have the ambition and the capacity of becoming a great statesman, when to be such, nothing more was necessary than quiet inaction and folded arms?

It is the characteristic of systems, that if men have once admitted their principles, or even if they have blindly agreed with the author to the extent of only a few chapters, they are lost. Beginning then, with J. B. Say, we declare our dissent at once, and say that *political economy*, as we understand it, is not limited to teaching how exchangeable values are produced by individuals, distributed among them, and consumed by them; we declare that a statesman must learn and needs to learn something more; that he must know how the productive powers of a whole nation are awakened, increased, and protected; how they are diminished, checked, or even destroyed; how, by means of the productive power of a country, its resources can be most efficiently employed in prolonging national existence, and in securing independence, prosperity, power, civilization, and the future well-being of a nation.

From the extreme principle that the State can and must regulate everything, Say's system passed to the opposite extreme, that the State cannot and must not do anything; that the individual is everything and that the State is nothing.

The omnipotence of individuals and the impotence of the State become in Say's hands exaggerations absolutely ridiculous. Finding it impossible not to admire the efforts of Colbert for the industrial education of the nation, he exclaims: "More could scarcely have been expected from the wisdom and the personal interests of *individuals!*"

If from the system we pass to the author, we find in Say a man who, without extensive knowledge of history, without profound political and administrative studies, without the comprehensive views of a statesman or a philosopher, with but one idea in his mind, and that borrowed, gropes in history, politics, statistics, commercial and industrial relations, to find circumstances and facts, which, stated in his own way, may serve his purpose. Read what he has written upon the Act of Navigation, the treaty of Methuen, the system of Colbert, the treaty of Eden, and you will find full confirmation of our opinion. It seems not to have occurred to him to study the chain of history in its revelation of the commerce and industry of nations. He acknowledges that nations have become rich and powerful under the protective system; but if we believe him, they became so *in spite* of, and not *by virtue* of protection, and he expects this to be taken upon his word. It was, as he asserts, because Philip II. prohibited the Dutch from entering the Portuguese ports, that they began to trade directly with the East Indies, as if such an interdict had been justified by the protective system, as if without it the Dutch could not have found the new route to the Indies. Say was still less fond of statistics and politics than of history; probably they presented stubborn facts, which could not be bent into any accordance with his system, and because he could never fully understand them. He never wearies of warning his reader against the illusions to which statistics may lead, nor of reminding them that politics have nothing to do with political economy, which is equivalent to saying, that in examining a vessel of tin we must never take into consideration the metal of which it is made.

Say, who was first a merchant, then a manufacturer, then an unlucky politician, betook himself at last, to political economy,

as a man resorts to a new enterprise when old undertakings no longer succeed. He hesitated at the beginning, by his own confession, whether he should declare for the mercantile system, or for free trade. In hatred of the continental system, which had ruined his manufacturing business, and of the author of that system, who had deposed him from the tribunate, he decided, finally, to embrace absolute free trade.

The word liberty, upon whatever occasion it is used, has had in France for fifty years a magical influence. Under the French Empire, as well as under the Restoration, Say belonged to the opposition, and constantly urged economy; his writings thus became popular for reasons independent of their theory. How else would that popularity have survived the fall of Napoleon, in a time when the adoption or the enforcing of his system must have infallibly ruined the French manufacturers? His stubborn adherence to the cosmopolite principle in such circumstances, gives the measure of his political ability. The firmness of his faith in the cosmopolite tendencies of Canning and Huskisson exhibits the extent of his knowledge of the world. To be entrusted by Louis XVIII. or Charles X. with the department of commerce and finance, was all he needed to fill the measure of his glory. History would then have undoubtedly inscribed his name by the side of Colbert's, the latter as the creator, the former as the destroyer, of national industry.

Never did a writer with less to justify it, carry such terror into the ranks of science as J. B. Say; the slightest doubt of his infallibility was visited with the withering epithet of ignorance, and even men like Chaptal dreaded the anathema of this pope of political economy. The work of Chaptal on French industry is from beginning to end nothing, as he expressly declares, but an exhibition of the results of the protective system in France. He declares, that in the actual state of the world, there could be no salvation for France but in the protective system. But although the opposite tendency pervades his whole work, Chaptal propitiates the School of Say by an eulogy upon free trade, by way of purchasing indulgence for his heresy. Say even went so far in his imitation of the papacy as to adopt

the (*index*) *expurgatorius*. He did not, it is true, specially prohibit heretical writings: his prohibition, still more sweeping, rejects both orthodox and heterodox. He warns young men who study political economy, not to read too many books by which there is danger of being led astray, but he permits them to read a few very good books; that is virtually saying, "You may read Adam Smith and myself, and no one else." But as the late father of the School, without proper caution, might have received too large a share of the homage of the student, his lieutenant and interpreter in this world makes this all right by stating that the writings of Smith are full of confusion, of faults, and of contradictions; giving it to be clearly understood, that he alone can explain how Adam Smith is to be read.

When Say was at the zenith of his glory, however, young dissenters appeared, who attacked the basis of his system, with such power and audacity, that he deemed it better to reprove them privately, and quietly to avoid public debate; among them Tanneguy Duchatel, since, and still a minister of State, was the most ardent and intelligent. "According to you, my dear critic," writes Say to Mr. Duchatel, in a private letter, "there is, in my political economy, nothing but acts without motives, facts without explanation, and chains of relations, the ends of which are wanting, and of which the most important links are broken. I partake, therefore, the misfortune of Adam Smith, of whom one of our critics said that he had caused political economy to retrograde."

In a postscript to that letter, he makes this artless remark:— "As to the second article, which you announce, let me say it seems needless to return to these disputed topics, by *which we shall weary the public.*"

The School of Smith and Say in France is now dissolved; to the unintelligible despotism of the theory of exchangeable values, has succeeded anarchy and revolution, which neither M. Rossi nor M. Blanqui is able to repress. St. Simonians and Fourierists, men of remarkable talents, instead of reforming the old science, have completely rejected it, and indulged themselves in Utopian schemes. Recently, however, some of the

most eminent of them have attempted to connect their doctrine with that of the preceding School, and to bring their ideas into relation with the actual state of things. We may expect much from their labors, and especially from the remarkable talents of Michel Chevalier. What there is of truth and of practicability in these new theories, may be explained in a good degree by *the principle of association and the harmony of productive powers.* The annihilation of liberty and of individual independence, is their weak side; in these theories the individual is entirely lost in the mass of society, in opposition to the theory of exchangeable value, in which the individual is all, and the State nothing. It is possible that humanity is tending to the realization of a state of things of which these men dream, or for which they appear to hope. In any event, it seems to me that many centuries must elapse before their dreams can be realized. It has not been given to any mortal to find in the inventions of the time, or in the present condition of society, any index by which to measure the progress of the future. The intelligence of Plato gave him no presentiment that in less than thirty centuries the slaves of society would be made of iron, steel, and brass; Cicero could not foresee, that the press would permit the extension of the representative system to whole empires, perhaps even to whole continents, and to the entire human family. If it has been given to some great minds to divine something of the progress to be made in a thousand years, yet each period has ever had its particular mission. The task of that in which we now live is apparently not to parcel out men into phalansteries, like those of Fourier, making them as equal as possible in intellectual and physical enjoyments, but to increase productive power, intellectual culture, the knowledge of government and national strength, and to prepare nations, by a gradual equalization of their power, for some form or degree of universal association. For, suppose that in the present state of the world, the phalansteries should realize the immediate end which their advocates propose to themselves, we may ask what would be their influence upon the power and independence of the country? Would not a nation parcelled out into phalanste-

ries be exposed to the danger of being conquered by nations still in their former condition, and of seeing their visionary creations annihilated with the nation itself.

The theory of exchangeable value has now fallen into such a state of impotency as to be almost exclusively engaged in researches upon the nature of rent; Ricardo, in his *Principles of Political Economy*, has gone so far as to say that to determine the laws by which the products of the soil are apportioned among proprietors, farmers, and laborers, constitutes the principal problem of political economy.

Whilst some boldly declare that the science is complete, and that there is nothing more essential to be added, those who read with the eyes of philosophers or statesmen, the works which are written upon it, maintain that there is no political economy; that the science is still to be created; that it has been heretofore but a kind of astrology; that it is possible and desirable that a real science may yet be constructed upon this subject.*

* The men who have the most right to speak of political economy have never pretended that it had attained a complete development. We believe ourselves initiated, says one of its greatest proficients, and yet we are but upon the threshold. There is modesty in this language of McCulloch; but we cannot regard this strange assertion of List, that the science is not yet in existence, and that to the present time it is but a kind of astrology, in any other light than an expression of ill-humor. The science has existed three quarters of a century. During that time, in the midst of contradictions, errors, and the vagaries of its disciples, it has not ceased to make progress; and it has shed around it, who can deny it, a bright and beneficent light. It may be said of it, Blind are they who will not see it! It is much more advanced than is commonly thought; but there is no propriety in considering the works of Smith and Say, however great their merit, as the expression of its actual condition. Neither in England nor upon the continent has its progress been arrested by the death of these men.—[H. R.]

Although there may be some extravagance in the expression of List, we think he had strong reasons at least for saying that the science is yet to be created. In our view, it is not extravagant to aver, that upon the premises of Say, a science has not only not been created, but cannot be. There can be no science of wealth considered apart from human welfare; yet that is what Say aimed to accomplish. He looked upon men only as the naturalist looks upon bees, to ascertain their habits, propensities, and wants.

To prevent misapprehension of our meaning, we finish by observing that our criticism of the writings of J. B. Say, as well as of those of his predecessors and successors, bears only upon their national and international relations; and that we do not attack their merit in the elaboration of subordinate doctrines. It is obvious that the ideas and the deductions of an author on some branches of science may be excellent, whilst the basis of his system is erroneous.

He discovered that men must work to live; that if driven from one kind of work they would turn to another; that they might be excited by stimulus to increased exertions, and so far he remarks upon men and their instincts; but his science had relation chiefly to what was produced, the merchandise and not the animals by which it was produced. His attention was turned to the laborers only upon the point of greater or less production. In the view of Say's system, the steam-engine was not regarded differently from the engine of flesh and bones. Now, we deny that it is possible to develop a true social science from such premises. We regard it as an absurdity of the extremest kind. Yet it is claimed by some that this science is complete, and it is yet the system mainly taught in our colleges. It professes to lay down laws, by which not only nations, but men, are to be governed in some of the most important concerns of life. Yet it does not recognise man as a moral being. It knows nothing of his intellectual or of his moral wants, desires or necessities. It does not profess to have the best earthly interests of men in view; it recognises nothing of the kind. It is as pure materialism as ever has been taught in any form, and its doctrines have already inflicted more injury upon human society than any false doctrine of modern times, socialism in all its branches included. We take the ground, that there can be no other sound basis for a science or system of political economy than human advantage, taking man as a moral and intellectual, as well as a laboring being. The labor, the production, the wealth, treated heretofore independently, are but means to an end. To develop a science from secondary elements without keeping in view the original and primary elements of consideration, is the blunder of Say's political economy. It is as if the science of the apothecary were wholly separated from the science of the physician—as if the whole of the virtues of the materia medica were to be settled and fixed without any knowledge of man or his diseases. See extended remarks of the Editor on this subject at the opening of this volume. — [S. C.]

BOOK IV.—PUBLIC POLICY.

CHAPTER I.

INSULAR SUPREMACY—THE CONTINENTAL POWERS—NORTH AMERICA AND FRANCE.

In all ages there have been cities or countries surpassing others in manufactures, trade and navigation; but the world has never witnessed a supremacy to be compared with that existing in our time. In all ages states have aspired to domination, but no edifice of power has ever been constructed upon so broad a base. How miserable appears the ambition of those who attempted to establish universal domination upon the power of arms, in comparison with the great attempt of England to transform her whole territory into an immense manufacturing and commercial city, into an immense port, and to become to other nations what a vast city is to the country, the centre of arts and knowledge, of an immense commerce, of opulence, of navigation, of naval and military power; a cosmopolitic country supplying all nations with manufactured products, and asking in return from each country its raw materials and commodities; the arsenal of extensive capital, the universal banker, regulating, if not controlling the circulating money of the whole world, and making all nations tributary to her by loans and the payment of interest.

But let us be just to that power and its ambition. Far from having been stopped in its progress by England, the world has received from her its strongest impulse. She has served as a model to all nations in her internal and external policy; in her great inventions and grand enterprises of every kind; in the ad-

vancement of the useful arts; in the construction of roads, railways and canals; in the discovery and cultivation of lands in a state of nature, particularly in displaying and developing the natural wealth of tropical countries; and in the civilization of tribes, savage or subsiding into barbarism. Who can tell how far the world would have been behind if there had been no England? And if England even now should cease to exist, who can say how far mankind would retrograde? We may rightly congratulate ourselves upon the rapid progress of that nation, and may pray for her continued prosperity. But should we desire to have her build upon the ruins of other nations an universal empire? A chimerical cosmopolitism or a narrow mercantile spirit, could alone answer affirmatively. We have, in the foregoing chapters, sketched the consequences of such a denationalization, and shown that civilization can only be diffused by the elevation of other nations to the same degree of culture, wealth, and power; that the same path by which England has travelled from a state of barbarism to her actual grandeur is open to all nations, and that more than one in our time is invited to enter it.

The maxims of state, by aid of which England has become what she is at present, may be reduced to the following formulas:

To prefer constantly the importation of productive power to that of commodities.*

To maintain and carefully protect the development of productive power.

To import only raw materials and agricultural products, and to export only manufactured articles.

* Even the production of wool in England is due in part to the application of this maxim. Edward IV. imported, by special favor, three thousand sheep from Spain, a country from which the exportation of sheep was prohibited, and divided them among the people, with orders not to kill or castrate them, or any of their increase, for seven years. When the object of this measure had been attained, England responded to the liberality of the Spanish government by prohibiting the importation of Spanish wool. The effect of this prohibition, however improper, is no more to be disputed than the prohibition of wool, by Charles II., in 1672 and 1674.

To employ in founding colonies and reducing to her rule barbarous tribes, only the surplus of her productive power.

To reserve exclusively for the mother country the supplying the colonies and conquered territories with manufactured articles; in compensation for which receiving in preference their raw materials and particularly their tropical commodities.

To reserve also the coasting trade and the navigation between the mother country and colonies; to encourage maritime fisheries by the aid of premiums; to obtain the greatest possible share of international navigation.

To become thus the chief naval power, and by means of that supremacy to extend her external commerce and enlarge constantly her colonial establishments.

To grant commercial facilities, whether colonial or relating to navigation, only to such extent and in that way which most favored her own interest, not yielding any reciprocity in matters of duties upon shipping, except when the advantage was on the side of England, or as a mean of preventing foreign powers from imposing maritime restrictions for their own benefit.

Not to make concessions to independent nations, except touching the importation of agricultural products, and only upon condition of analogous concessions relatively to the exportation of manufactured products.

When such concessions could not be obtained by way of treaties, to attain the same end by smuggling.

To declare war or to conclude alliances with an exclusive view to the interests of manufactures, commerce, shipping, and colonies; to extract, in this way, profit from friends and foes; from the latter, by interrupting their trade; from the former, by ruining their manufactures through subsidies and loans, paid in the products of her manufactures.

These maxims were formerly openly avowed by all her ministers and all her members of Parliament. The ministers of George I. in 1721 frankly declared in reference to the prohibited introduction of the manufactured products of India, that a nation could not become rich and powerful but by importing raw materials and exporting manufactured products. Even as late

as the time of Lord Chatham and Lord North, it was maintained without hesitation in full Parliament that North America should not be allowed to manufacture a single nail.

Since the time of Adam Smith, a new maxim has been added to those mentioned: to dissemble the true policy of England by the aid of cosmopolite expressions and discussions, designed by Adam Smith to prevent foreign nations from imitating her policy.

It is a vulgar rule of prudence for him who has reached the pinnacle of power to cast down the ladder by which he mounted, that others may not follow. In this lies the secret of Adam Smith's theory, and of its cosmopolite tendencies; of his illustrious contemporary, William Pitt, as well as of all his successors in the government of Great Britain. A nation which by protective duties and maritime restrictions has built up a manufacturing industry and a merchant marine to such a point of strength and power as not to fear the competition of any other, can pursue no safer policy than to thrust aside the means of elevation, to preach to other nations the advantages of free trade, and to utter loud expressions of repentance for having walked hitherto in the way of error, and for having come so lately to the knowledge of truth. William Pitt was the first English statesman who understood the use that could be made of Adam Smith's cosmopolite theory, and it was not in vain that he had constantly with him a copy of the *Wealth of Nations*. His speech of 1786, addressed evidently not to the Parliament or the people of his country, but to the inexperienced statesmen of France, and intended only to procure their assent to the treaty of Eden, is a masterpiece of dialectics in Smith's manner. France, if you believe him, was naturally destined to agriculture and the production of wine, as England to manufactures; these two nations were in the position of two great merchants, trading in different branches, and enriching each other by an exchange of their merchandise.* Not a word of the old English

* "France," said Pitt, "has over England the advantage of climate and other gifts of nature, and surpasses her in the production of raw materials; but England surpasses France in manufactured products. The wines,

maxim, that in foreign trade a nation can reach the highest degree of wealth and power only by the exchange of manufactured products for agricultural products and raw materials. This maxim has been, since then, ever kept as a State secret by England; it ceased to be openly proclaimed, but was all the more strictly obeyed.

If, however, since the time of William Pitt England had, in fact, thrown away the protective system as a crutch no longer needed, she would have attained to still greater wealth and eminence, she would have been nearer the object aimed at — the monopoly of manufacturing industry. The most favorable moment for attaining that end was evidently the epoch of the general peace.

The hatred which the continental system had excited had given way to cosmopolite feelings among all the continental nations. Russia, all Northern Europe, Germany, the Peninsula, the United States, all those countries would have deemed themselves fortunate to exchange their agricultural products and their raw materials for the manufactured commodities of England. Even France might have been induced, by important concessions to the interests of her wine and silk, to abandon prohibitions. The time had come, when, as Priestley remarked of the Act of Navigation, "it would have been as wise for England to abolish the system of protection as it had been at first to establish it."

Under such a policy, all the surplus of both continents in raw materials and agricultural productions would have flowed into England, and the whole world would have been clad in the product of English looms; everything would have concurred to

brandies, oils, and vinegars of France, especially the two first-named articles, are of so much importance, and so much value, that all our natural wealth cannot be compared with them. On the other hand, it is not denied that England has the monopoly of certain branches of manufactures, and that in others it possesses sufficient advantages to brave all the rivalry of France. That is the condition and natural basis of the relations between the two countries. Each one having important commodities peculiar to it, and possessing that which is wanting to the other, they are, in regard to one another, like two great merchants operating in different departments, who do each other mutual service by exchanging their merchandise."

increase the wealth and power of England. The idea would scarcely have occurred to the Americans and Russians in a century of adopting a system of protection, and to the Germans of establishing a Customs-Union. They could not readily have resolved upon giving up the advantages of the actual moment for the hopes of a distant future.*

* It would clearly have been in accordance with the doctrine of free trade, and of the School, if all nations had resorted to England for their manufactured products at the period of the general peace in 1815. England was then manufacturing most articles of general consumption much cheaper than any other country; it was therefore, according to theory, the place for all to resort. If all had purchased there, the inevitable result would have been a general rise of prices in England. No one can deny that the whole history of commerce proves that a greatly increased demand is followed by greatly increased prices. The longer the nations of the world would continue to resort to England for manufactured products, the more dependent would they become, and the more would they be at the mercy of English merchants in regard to price. In these circumstances, England would soon cease to be a cheap market. The consumption by foreign countries of the products derived from England would then not only be limited by high price, but by the fact that these countries could only consume to the extent that England would take their products. England could, for instance, take the cotton of the United States, and upon the occasional failure of her harvests, she could take some of our flour and grain; but our consumption of woollen and cotton goods, of iron, and other English manufactures, would be limited to what England would or could take from us in payment. In such circumstances, it cannot be doubted, that some addition would be made to our exports to England. Wool would probably become an article of export. But if, upon this supposition, England had become the chief manufacturer of the world, then all nations would have become producers of raw materials, and the English market would have been overstocked, and the prices of raw materials would have been dictated chiefly by the buyers. With all the increase, however, of English manufacturers, any reduction of price would not have been probable, because England would have had no competitor; the consumption of English goods would have mainly depended on the ability of each nation to pay in England. In the case of this country, our exports to England could have but little exceeded their present value; for, however more considerable in quantity, the price would have been less; our consumption would, therefore, have been limited by our ability to pay. And, in fact, the limit of all international trade is not merely the ability of each nation to export, but the willingness of each nation to take, and the ability of each nation to pay. The people of the

But it has not been given to trees to grow up to the skies. Lord Castlereagh surrendered the commercial policy of England

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United States, unwilling to become wholly dependent upon England for such manufactured articles as she could make cheap, built up, even with inadequate protection, their own manufactures, and realized a truth to which the reigning School is an utter stranger, that a nation can afford to consume three or four times the quantity of that which is manufactured at home, even at much higher prices than the corresponding foreign article. The domestic manufacturer is a consumer of everything that is produced at home, and can be paid in every kind of domestic production. The people of the United States have, therefore, under their present system, been nearly as large importers from England, as they could have been in the case supposed; but they have, at the same time, consumed domestic cotton and woollen goods, iron, &c., which would not have been manufactured under absolute free trade, in quantities more than three times greater than the quantity actually imported. The annual product of the manufactures of the United States, which have grown up under favor of protective duties, exceeds the whole of our foreign trade by a large amount; the consumption of domestic manufactures is nearly all additional to what the country could have consumed, if wholly dependent upon foreign supplies.

The following figures exhibit how this would have stood in 1850:—

	Domestic.	Imported.
Cotton manufactures	$61,169,000	$22,164,000
Woollen manufacture	43,207,000	17,151,000
Iron, pig, castings, and wrought	60,488,000	17,500,000
Manufactures of all kinds	$1,013,336,000	$178,138,000

It may be seen from this how important the manufactures of the country are, compared with the foreign trade. Of the imports of 1850, a very large amount consisted in coffee, tea, and other products not manufactured. The people of this country now consume at least five times as much of their own manufactured products as they do of corresponding articles manufactured abroad. In other words, we consume of our own manufactures to the value of forty-four dollars per head of the population of the whole country: but we consume foreign manufactures to an amount less than seven dollars for each head.

The amount of foreign manufactured products consumed by any nation can never much exceed this rate, where the nations are remote from each other. Great Britain trades with many countries very nearly on the footing of free trade, but these nations do not receive her manufactures in greater proportion to the population than the United States. England exports to Portugal to the value of about one dollar and a half for each head

to the land aristocracy, and the latter killed the goose which was laying golden eggs. If the English manufacturers had been permitted to rule in all markets, and if Great Britain had assumed toward the world the part of a manufacturing city towards the country,* the whole face of the Island would have been covered with houses and manufactories, or used as parks, kitchen-gardens, orchards, or applied either to the production of milk and meat, or to those modes of culture, in a word, which are only practised in the neighborhood of large cities. Those cultures would have become for English agriculture much more lucrative than that of grain, and would, in the course of time, have increased the income of the aristocracy much more than the prohibition of foreign corn. But that aristocracy, alive only to the interests of the moment, preferred, by the aid of the corn-laws, to uphold their land rents at the high rate to which they had been carried by the exclusion of foreign corn and raw materials, during the war; and they compelled the continental nations by this step to seek their prosperity in other

of the population; and very few nations take in a larger proportion except distributing countries, which mainly re-export the goods they import from Great Britain; as for instance, Holland and the Hanse Towns. The United States, however, import British manufactures for their own consumption, to the extent of three and a half dollars for each head of the population. The manufacturing power of this country, and the capital acquired by it, now adds greatly to the importance of its foreign trade. — [S. C.]

* It is to be seen whether this enormous and exclusive development of manufacturing industry has been an advantage for England. List is of opinion, as we have seen, that prosperity depends upon a parallel and harmonious development of all branches of industry. — [H. R.]

The inordinate development of English manufacturing industry in the last half century is now being followed by equal, if not greater, improvements in their agriculture. This will, in time, remedy serious difficulties arising from the disproportionate development of manufactures. The manufacturing population, which is wholly or largely dependent on foreign markets for a sale of its products, must encounter great hazards from the fluctuations in price and demand which are incident to all international trade. The producers who exchange their commodities on the same territories, can maintain very great regularity in their business; but the markets which are ruled by foreign trade are always liable to the extremes of fluctuation. — [S. C.]

ways than by the free exchange of their agricultural products for the manufactured articles of England, that is, by the establishment of manufactures. The prohibitive laws of England thus operated exactly like Napoleon's continental system, only more slowly.

When Canning and Huskisson came into power, the land aristocracy had tasted too fully of the fruits of prohibition to allow themselves to be persuaded to renounce such advantages. Those statesmen, like the English ministers of our time, were asked to solve a problem that was insoluble,—to convince the continental nations of the advantages of her trade, and to maintain inflexibly, for the benefit of their own aristocracy, the existing restrictions upon foreign agricultural productions. They found it of course impossible to satisfy the hopes of the partisans of free trade in both continents. Amidst this deluge of philanthropical and cosmopolite phrases which were uttered in the general discussions upon commercial systems, they did not see any inconsistency, when a modification of the English tariff was under consideration, in basing their arguments upon the protective system.

Huskisson reduced the duties upon many articles, but never failed to show that even with a more moderate tariff, the manufactures of the country would be sufficiently protected. In this, he followed closely the mode of administering the dikes in Holland: where the water attains a great height, the dikes are built to correspond, and where the water does not rise, neither does the dike. The reform of the mercantile system, so pompously announced, is reduced to mere economical juggling. The reduction of the duties on silks has been pointed out as evidence of English liberality, not reflecting that England, in the interest of her treasury and without prejudice for her silk manufactures, merely intended to stop the smuggling which was carried on in that article, an object which was fully attained. But if a protective duty of fifty or seventy per cent., the duty yet charged, including the additional tax upon foreign silk in England, can be alleged as a proof of liberality,

other nations would in this respect be rather in advance of than behind England.

The demonstrations of Canning and Huskisson having been chiefly intended to make an impression in France and North America, it will not be uninteresting to notice how they were foiled in both countries.

The English had still in France, as they had in 1786, many partisans among the theorists and liberals. Seduced by the grand idea of free trade, and by Say's superficial reasoning, struggling with a detested government, sustained by the maritime districts, the producers of wine, and the manufacturers of silk, the liberal party claimed with earnestness, as in 1786, an extension of trade with England, as the true and only mode of developing the prosperity of the country.

Whatever the reproaches to which the Restoration is liable, it nevertheless rendered to France one service which cannot be forgotten, and which posterity will never dispute; the government did not allow itself to be influenced by the intrigues of England, nor by the declamations of the liberals in matters of commercial policy. Canning had the interests of England so much at heart, that he betook himself to Paris, to convince the Minister de Villele of the wisdom of free trade, and to induce him to imitate England. But de Villele was too practical a man not to penetrate the stratagem; it is said that his answer to Canning was in substance:—"If England, in the progressive state of her industry, admits foreign competition more extensively than formerly, such a policy is in conformity with her well-understood interest; but it is the well-understood interest of France now to grant to her own manufactures, of which the development is yet imperfect, the protection which is still indispensable for them. When the time shall arrive that foreign competition will be useful for French industry, France will not fail to avail herself of the present example of England."

Chagrined by this refusal, Canning on his return boasted in full Parliament of having attached a stone to the neck of the French government by his intervention in Spain; a proof that Canning's cosmopolitan spirit and European liberalism were not

quite so sincere as he had credit for with the honest liberals of the Continent! for if the case of liberalism upon the Continent had been of the slightest interest in the world to him, how could Canning have abandoned the liberal constitution of Spain to French intervention, for the mere purpose of hanging a stone round the neck of the French government? The truth is that Canning was an Englishman in the fullest meaning of the term, and that he entertained philanthropical and cosmopolite ideas only so far as they served to strengthen and extend the industrial and commercial supremacy of England, or to mislead rival nations.

It required no great penetration in de Villele to discover the stratagem of Canning. The experience of a neighboring country, Germany, the industry of which, after the abolition of the continental system, had not ceased to retrograde, furnished him a convincing proof of the real value of the doctrine of free trade as it was understood in England. Moreover, France found too much benefit from the system she had adopted in 1815 to suffer herself to be tempted, like the dog in the fable, to drop the flesh and take up the shadow. The most liberal in matters of industry, such as Chaptal and Charles Dupin, had expressed themselves in a manner not in the least equivocal as to the results of that system.

Chaptal's work on French industry is mainly an apology for the commercial policy of France, and a statement of its general and special results. Its tendency is shown in the following passage taken from that work: —

"So instead of losing ourselves in a labyrinth of metaphysical abstractions, let us keep what we have and try to improve it."

"Sound commercial legislation is the true safeguard of agricultural and manufacturing industry; it increases or diminishes duties upon imports according to circumstances and wants; they compensate the disadvantage to which our own manufactures may be subject in the different prices of labor or fuel; they protect infant arts by prohibitions, to save them from foreign competition, until they shall have made that progress which enables them to withstand competition; they tend to establish the indus-

trial independence of France, and to enrich her by the individual labor of the people, which, as I have frequently said, is the chief source of wealth."—[*Vol. II., p.* 417.]

Charles Dupin, in his work on the productive power of France and the progress of French industry from 1814 to 1827, had so ably sketched the effects of the commercial policy of France since the Restoration, that a French minister could never have dared to sacrifice the creation of half a century, so dearly bought, so rich in results, and so full of hopes, at the price of a treaty like that of Methuen, and its necessary results.

The American tariff of 1828 was a natural and necessary consequence of the commercial system of England, a system that rejected the timber, the corn, the flour, and other raw materials of the United States, and admitted only their cotton in exchange for English manufactured articles.

Thus the trade with England was only profitable for the agricultural labor of American slaves; the freest, the most civilized, and the most powerful States of the Union were arrested in their material progress and reduced to send their annual surplus of population and capital to the solitudes of the West. Huskisson understood perfectly this state of things; it was known that the English minister at Washington had more than once warned him of the consequences which would ensue from the policy of England. If Huskisson had been the man he had been represented to be abroad, he would have seized the occasion happily offered him by the American tariff, to make the English aristocracy comprehend the absurdity of their own laws and the necessity of their repeal. But what did Huskisson? He flew into a passion against the Americans, or affected to do so; in the warmth of his feeling he made assertions, the incorrectness of which was known to every American planter, and uttered threats, which merely made him ridiculous. Huskisson asserted that the exports of England to the United States formed hardly the sixth part of her total exports, whilst those of the United States to England made one-half of theirs. He intended to prove by this that the United States were more dependent upon England than England was upon the United States, and that

England had much less to fear from interruption of this commerce, whether by war or by non-intercourse.

If the figures of the imports and exports be regarded, Mr. Huskisson's reasoning appears at least plausible; but if we consider the nature of the respective shipments, we do not understand how Huskisson could use an argument which proves just the contrary of what he wished to establish. The exports from the United States to England consist in whole or in the greatest part of raw materials, the value of which is increased ten-fold, which she could neither dispense with nor obtain from other countries, at least in sufficient quantities; whilst all the importations of the United States from England consist of articles which they could either manufacture themselves or buy from other countries. If we consider then the consequences of an interruption of the commerce between the two countries in the light of the theory of values, they appear as if wholly disadvantageous to the United States, whilst, being estimated by the theory of productive power, they would exhibit an enormous loss for England. For beyond doubt such an event would ruin two-thirds of the cotton manufactures of the latter; England would lose, as in a moment, an industry, the annual value of which exceeds greatly the collective value of her exports. The effects of such a loss upon the tranquillity, the wealth, the credit, the trade, and the power of England, cannot be estimated. What would be, on the contrary, the effects of the interruption of this trade upon the United States? Compelled to manufacture the articles they imported before that time from England, they would earn in a few years what England would have lost. No doubt, but as of old, between England and Holland after the Act of Navigation, a struggle to the death might follow; and that struggle might, perhaps, have a result like that of which the English Channel was formerly the theatre. It is not the time to sketch minutely the consequences of a rivalry which soon or late must occur. The preceding may suffice to evince the want of solidity and the danger of Huskisson's reasoning; to show the imprudence of England in compelling the people of the United States by her corn laws to become manufacturers;

and how skilful it had been in Huskisson, if, instead of playing with frivolous and perilous discussions, he had applied himself to remove the causes which led to the American tariff of 1828.

To exhibit to the United States the advantages of their commerce with England, Huskisson signalized the extraordinary increase of their exportations of cotton: but the Americans knew the value of this new argument. For more than ten years the production of cotton in North America had so exceeded the annual consumption, that prices diminished in nearly the same proportion as the exportation had increased, so that after having received in 1816 twenty-four millions of dollars for eighty millions of pounds of cotton, the Americans obtained in 1826 but twenty-five millions of dollars for two hundred and four millions of pounds.

Finally, Huskisson threatened the Americans with the organization upon a large scale of contraband trade through Canada. It is a fact, that in the actual state of things, this measure would have been the greatest impediment which the protective system could have encountered in the United States. But what is the conclusion? That the Americans ought to lay their tariff at the feet of the British government, and humbly wait for the decisions which the latter may please to make year by year upon the subject of this industry? Certainly not! The consequences would only be that the Americans would annex the Canadas, or, at least, aid them to become independent whenever Canadian smuggling should have become intolerable. But is it not the height of folly in a nation enjoying industrial and commercial supremacy, to compel an agricultural people, closely connected by ties of relationship, language, and interest, to become a manufacturing rival, and to oblige it, by obstructing its natural impulses, to become interested in the rebellion of her own colonies?

After the death of Huskisson, Mr. Poulett Thompson took the direction of commercial affairs in England. He persevered in the policy of his illustrious predecessor. However, so far as concerned North America, there was little left for him to do; for in that country, without the intervention of an English minis-

try, the influence of the cotton planters and importers, and the force of party-discipline, had already brought about, in 1832, what has been called the Compromise Act, an act which, while correcting the exaggerations and the vices of the preceding tariff, and leaving yet to the manufacturers of cotton goods a tolerable protection, made to the English, as to the future, all the concessions they could ask without any corresponding concessions from them. Since that time the exports from England to the United States have increased prodigiously, and so much exceeded at all times the importations from that country, that it is now in the power of England to draw from the United States in time of her own need, any desired quantity of the precious metals, as the banks must meet the demand: and to produce in that country a commercial crisis, under the operation of which, both cotton and corn can be had at the lowest rates. What is most surprising is, that the Compromise Act had for its author the ablest defender and the most enlightened friend of manufacturing industry — Henry Clay. The prosperity of the manufactures under the tariff of 1828 had so strongly excited the jealousy of the cotton planters, that the Southern States threatened a rupture of the Union, unless the tariff of 1828 were modified. The government of the United States, under democratic rule, had from party considerations, and with a view to the Presidency, taken part with the planters of the South, and had arrayed on the same side the agricultural democrats of the Central and Western States. With the latter, the elevation of prices, mostly produced by the prospering manufactures of the country, and the construction of canals and rail-roads, had cooled their former sympathy for the manufacturing interests; they feared, moreover, that the Southern States might carry their opposition even to an effective dissolution of the Union, and to civil war. It suited the designs of the Northern democrats to secure the good will of those of the South. On all these accounts, public opinion was so favorably disposed for free trade with England, that a complete abandonment of the manufacturing interests of the country was apprehended. In such circumstances, Henry Clay's Compromise Act appeared

to be the only way of saving, at least for a time, the protective system. A portion of American industry, the manufacture of articles of luxury, and high-priced commodities, was sacrificed to foreign competition, to save another part, the manufacture of common articles, and the cheaper goods.

Every thing indicates, however, that in the course of years, the protective system will again raise its head in the United States, and become a settled policy. Whatever may have been the exertions of the English to diminish, or to temper the commercial revulsions in the United States, and however considerable the capital they send thither in the purchase of public stocks and securities, or in the way of emigration, the want of equilibrium, ever subsisting and continually increasing between the value of the exports and imports, and which can never be re-established in that manner; the consequent formidable revulsions and their increasing violence, cannot fail at last to awaken Americans to a full knowledge of the causes of the evil, and make them willing to apply the proper remedy.

It is in the nature of things that the number of the partisans of protection must increase, and that the partisans of free trade must diminish.

Down to our time the increasing demand for food, occasioned by the former prosperity of manufactures, by the construction of important public works, and by the great augmentation in the production of cotton, and partly also by bad crops, have kept agricultural productions at very high prices. But it may be foreseen with certainty, that in the course of not many years, these prices must fall below the average, as much as they have hitherto exceeded it. Since the Compromise Act, the surplus of American capital has been diverted mostly to agriculture, and begins to yield results. Thus, whilst the production of agricultural commodities has been enormously increased, the demand has, on the other hand, enormously diminished; first, because public works are no longer in progress on the same scale as formerly; secondly, because foreign competition stops the development of the manufacturing population; thirdly, because the production of cotton has so much exceeded the con-

sumption, that planters have been obliged to produce themselves the food they formerly obtained from the Middle and Western States. If, moreover, rich, abundant crops occur, the Middle and Western States will be glutted with their own commodities, as they were before the tariff of 1828. The same causes producing the same effects, the agriculturists of the Centre and of the East, will again perceive that the increase of the manufacturing population of a country can alone increase the demand for agricultural products, and that this increase can only be the result of a development of the protective system. At the same time that the protectionist party thus gains in number and influence, the adverse party must diminish in a like proportion; for the cotton-planters, in a different position, cannot fail to discover that it is their undoubted interest to promote the growth of the manufacturing population of the country, and to enlarge the demand for agricultural commodities and raw materials.

The cotton-planters and certain party-men of the United States, having, as we have shown, worked with the most ardent zeal for the commercial interests of Great Britain, Poulett Thompson had no occasion for the display of his patriotism or his diplomatic skill.

In France, things took a different turn. There the prohibitive system was adhered to. It is true that many theorists, functionaries, and deputies, were favorable to the extension of commercial intercourse between England and France; the alliance existing between the two countries had given some popularity to that opinion; but they did not agree upon the means of attaining the end, and clear ideas did not appear to exist. It appeared evident and indisputable that the increase of duties upon food and raw materials, as well as the exclusion of English coal and iron, were very injurious to French industry, and that a large export of wine, brandy, and silk goods, would be very advantageous to the country.

Farther than this, they dealt in vague declamations, or upon the inconveniences of the prohibitive system. But they did not deem it prudent to touch it, at least immediately. The government of July, found its principal friends, the wealthy and

intelligent bourgeois, largely interested in great industrial enterprises.

It was at that time that Poulett Thompson conceived the plan of a campaign, which does honor to his cunning and dexterity, as a minister and diplomatist. He sent to France a learned man, very well versed in the commerce, industry, and commercial politics of that country, and also well known as a man of liberal opinions, Dr. Bowring. This gentleman travelled over all France and Switzerland, to gather on the spot materials to serve as arguments against the protective system, and in favor of free trade. He performed his mission with that skill and ability which characterize him. He gave special attention to the advantages of free trade between the two countries, in exchanging coal and iron for wine and spirits. In his published report, the argument refers almost solely to these articles; on other branches of industry, he confines himself to statistics, without trying to show how free trade with England could develop them, and without making any proposition in regard to them.

In this Dr. Bowring conformed to the instructions, drawn up by Poulett Thompson, with rare ability, and since published at the head of his report. Thompson puts forth in them the most liberal opinions, and exhibits much concern for the manufacturing interests of France. He thinks it very improbable that great results can be anticipated from the projected negotiations. Those instructions were well calculated to allay the apprehensions of the powerful interests of the French cotton and woollen industry, as to the intentions of England. According to Thompson, it would be useless for England to ask large concessions. He insinuates that there might be more hope of success in regard to articles *of less importance*. These articles of less importance are not designated in the instructions, but the experience of France has amply revealed what was meant by these words. It was then proposed to open the French markets to the flax, threads, and linens of England.

The French government, touched with the observations of the English ministry and their agents, and desirous of granting to England a favor of so little importance, and one in the end so

advantageous to France, reduced the duties upon flax, thread, and linens, to such an extent that, considering the remarkable progress made by the English in those manufactures, they ceased to protect French industry. The export thereupon of those articles from England to France in the following years increased prodigiously, until it reached thirty-eight millions of francs in 1838; and France, surpassed in that manufacture by England, hazarded the entire loss of an industry, the yearly value of which amounted to several hundred millions, to the great prejudice of her agriculture and her rural population, unless, by restoring the duties on these commodities to their former rates, she raised a barrier to this English competition.

It is now clear that France was duped by Poulett Thompson; for the latter was fully aware, in 1834, of the progress which linen manufacture had made in England, and was to make in succeeding years, by the aid of new processes; and in that negotiation he had relied upon the French government being ignorant of these advantages, and their necessary results. The authors of that reduction would even have us believe that the subject of discussion then was a concession to the linen manufacturers of Belgium. But how can they justify their ignorance of the progress of English manufactures, and their want of caution?

Be this as it may, it is at least not doubtful that France, under penalty of sacrificing the greatest part of her linen manufacture, must protect it again, and that the latest attempt in our day to extend free trade between England and France, has furnished indubitable testimony of British ability and French inaptness; it is like a new treaty of Methuen, or like a second treaty of Eden.

What said Poulett Thompson when he heard the complaints of the French manufacturers, and found that the French government was disposed to repair the fault it had committed? He did precisely what Huskisson had done before him; he threatened the prohibition of wines and silks from France. Such is the cosmopolitism of England! France was to permit the extinction of an industry ten centuries old, an industry in-

timately connected with the welfare of all the working classes, and especially of those pertaining to agriculture, the products of which were articles of the first necessity for all classes, and which may be valued at three or four hundred millions, and this to purchase the privilege of selling wine and silk to England, for a few millions more than before. Independently of that disproportion in values, one needs only to ask what would become of France, in case the commercial relations between the two countries should be interrupted by war, and she could no longer send to England her surplus of silks and wine, and at the same time should be destitute of an article so indispensable as linen?

On reflection, it is evident that the linen question is not merely one of material prosperity; but that it is above all, as in every case connected with important branches of domestic industry, a question of independence and national power.

It might be thought that the spirit of invention, in thus improving the manufacture of linen, has assumed the mission of giving nations to understand the true nature of manufacturing industry, its connection with agriculture, its influence upon independence and upon the power of the States, and to place distinctly before them the errors of theory.

The School, as every one knows, maintains that each nation possesses in some branches of industry special advantages; gifts of nature, or results of education, which are compensated by the exchanges of free trade. We have shown, in a previous chapter, that this maxim is only true of agriculture, in which production depends chiefly on climate and fertility of soil; but that it is not true in respect to manufacturing industry, for which all the nations of the temperate climes have an equal vocation, provided they possess the required material, intellectual, political, and social conditions.

England presents, in our day, a bright example in support of our doctrine. If, by experience, by persevering efforts, and by agricultural resources, any people have been specially set apart for the manufacture of linen, they must assuredly be the Germans, the Belgians, the Dutch, and the inhabitants of Northern

France. It has been in their hands a thousand years. On the contrary, the English even so late as the middle of the last century had made so little progress in it, that they imported from abroad the greater part of the linen they used. Without the protection they gave to their manufactures at that time, the domestic production would never have sufficed to supply their own consumption and that of the British colonies. It is known that Lords Castlereagh and Liverpool stated in Parliament that without protection the English manufacturers could not sustain the competition of German linen. Now in our day we see the English, who, in all previous times, have been the worst manufacturers of linen in Europe, obtaining by virtue of their inventions the monopoly of the linen manufacture, just as within fifty years they have invaded India with their cotton goods; they who, for centuries, had been unable to sustain in their own markets the competition of Indian goods.

At this moment they are discussing in France how it happens at this late day that England has performed such prodigies in the linen manufacture, although Napoleon had been the first to stimulate that progress, by offering a large premium for the invention of a machine to spin flax, and the French engineers and manufacturers had turned their attention to the subject before their rivals upon the other side of the Channel. It is discussed whether the English or French have the greatest aptitude for the mechanic arts. Every explanation, in fact, has been given but the right one. It is incorrect to attribute to the English greater aptitude for mechanics, or a greater aptitude for industry in general, than the Germans or the French. Before Edward III., the English were the greatest sluggards, the merest good-for-nothing men of Europe; it would not have occurred to them to compare themselves in genius for mechanics, and in industrial aptitude of any kind, to the Italians, the Belgians, or the Germans. But since their government has trained them in the paths of industry and finished their education, they have, by degrees, become able to dispute with their masters the question of the highest industrial capacity. If within the last twenty years the English have succeeded better than

other nations, and especially than the French, in the construction of machinery for the manufacture of flax; it is because of their superiority generally in mechanics; because of their superiority in spinning and weaving cotton, which so closely resembles spinning and weaving of flax; because their commercial policy procured them a greater supply of capital than the French; because this same policy had opened for the product of their flax manufacture a much more extensive home and foreign market; lastly, because protecting duties, in such circumstances, offered to the mechanical genius of the country, the highest stimulus to prosecute the improvement of that industry, and abundant resources for experiment and persevering application.

We have elsewhere explained, that in manufacturing industry all special branches are intimately connected; that the improvement of one prepares the way and encourages the improvement of all others; that no one can be neglected without injury to others; that, in a word, the manufacturing industry of a nation constitutes an indivisible whole. The recent progress of England in the linen industry confirms these positions.

CHAPTER II.

INSULAR SUPREMACY AND THE GERMAN CUSTOMS-UNION.

GERMANY has fully experienced within the last twenty years what a great country is in our time without a good commercial policy, and what a great country may now become with a good commercial policy. She has been, as Franklin used to say of the State of New Jersey, a cask tapped at both ends, the contents being drawn off by her neighbors. England, not satisfied with having ruined the largest portion of the manufactures of Germany, and with furnishing her with immense quantities of woollen and cotton goods, besides colonial products, has rejected her corn, her timber, and even, at times, her wool. There was

a time when England found in Germany, for her manufactured articles, a market ten times more extensive than in her boasted empire of the East Indies; and yet these insular monopolists refused the poor Germans what they granted to their Hindoo subjects, the privilege of paying for their purchases of manufactured goods in agricultural products. In vain did the Germans humble themselves to the condition of hewers of wood and drawers of water for England: they were treated more harshly than a conquered people. It is with nations as with individuals; those which submit to be ill-treated by a single one will soon be despised by all, and become, at last, the sport of the weakest. France, which now exports to Germany wine, oil, silks, and fancy articles, to a considerable amount, has closed her markets to the cattle, the wheat, and the linen of Germany. But worse yet; a small maritime province, formerly German, inhabited by Germans, having become rich and powerful by the aid of Germany, but which could never have subsisted but with and through Germany, has closed during nearly half a generation, under frivolous pretexts, the most beautiful river of Germany. To complete the mockery, it has been taught by many professors of political economy that nations can only arrive at wealth and power by universal free trade.

Such was the state of things in Germany; how does the matter stand at this date? Germany in the space of ten years has advanced a century in prosperity and industry, in self-respect and power. How so? The suppression of the barriers and custom-houses which separated the German States, has been an excellent measure; but it had borne bitter fruits if home industry had been left exposed to foreign competition. The protection of the tariff of the Customs-Union (Zoll-verein) extended to manufactured products in general use, has accomplished this wonderful change.

We confess it frankly, the tariff of the Customs-Union is not, as has been asserted, a mere revenue tariff; it has not stopped at ten or fifteen per cent., as alleged by Huskisson; we hesitate not to say, it affords a protection from twenty to sixty per cent. on manufactured products in general use.

Now what is the result of that protection? Do the consumers pay for these manufactured articles from twenty to sixty per cent. more than they formerly paid for those imported? Or are the German goods inferior? By no means. Dr. Bowring himself admits that the products of the industries protected by high duties, are of a better quality and at a lower price than the foreign articles. The competition at home, and protection against overwhelming competition from abroad, have worked wonders, of which the School is ignorant. It is not true then, as has been pretended by the School, that protection enhances the price of domestic products by the amount of the protective duty. Duties may cause a temporary increase of price, but in any country prepared for manufacturing home competition soon reduces the prices below the rates at which they would have remained under the operation of free trade.

Has agriculture been suffering by reason of these high duties? Not at all; it has been prosperous, it has realized during ten years ten-fold profits. The demand for agricultural products has increased, and prices have advanced over the whole country; it is notorious that under the influence of manufacturing industry, property in land has increased from fifty to one-hundred per cent.; that the wages of labor have also advanced; that many routes of transportation and travel are projected, or in course of construction, throughout the territories of the Customs-Union.

Such happy results encourage us all to pursue the same path; several States of the Zoll-verein have brought forward propositions with that view, but they have not yet been adopted, because other States, it seems, hope for better fortune through the abolition by England of her duties on wheat and timber, and because influential persons, it is said, continue to have faith in the cosmopolite system, and to doubt the evidence of their own senses. Dr. Bowring's report contains in this respect, as well as in reference to the condition of the Customs-Union, and the tactics of the English government, important revelations. Let us examine for a moment that document.

We begin by indicating the point of view from which this paper has been sketched.

Labouchere, President of the Board of Trade in Melbourne's cabinet, despatched Dr. Bowring to Germany for the same purpose for which Poulett Thompson had sent him in 1834 to France. The point was to induce the Germans to open their markets to English manufactured products, under the influence of concessions to their wheat and timber, just as had been proposed to the French under the influence of concessions to their wines and spirits; the two missions differed only in this: that the concessions proposed to the French met with no opposition in England, whilst those offered to the Germans were first to be carried in England.

The two reports were consequently to have a different bearing. The one treating of the commercial relations between France and England was addressed exclusively to the French. It was necessary to tell them that Colbert with his protective system had done good in making them believe that the treaty of Eden had been advantageous to France, and that the continental system as well as the prohibitive system to which France still adhered, had been fatal to her. In a word, nothing could be done but to hold up Adam Smith's theory, and dispute boldly the results of the protective system.

The second report was not of such easy construction, for it was to be addressed at once to English proprietors, and to the German governments; to the former, it was necessary to say: Here is a nation, which, by the help of protection, has already accomplished immense industrial progress, and which, possessed of all necessary resources, has boldly determined to obtain the control of her home-market, and to compete with England in foreign markets; this is your mistaken work, ye tories of the House of Lords and of the House of Commons; it is the result of your senseless corn laws, by which the price of food, of raw materials, and of labor, have been so depressed in Germany, that German manufacturers are actually in a better position than the English manufacturers. Hasten, then, ye tories, to repeal these laws. You can now inflict a triple injury upon German

industry, there will ensue in Germany a rise in the price of food, and a fall in England in the prices of food, raw materials and labor; secondly, the exportation of wheat from Germany to England will open the way for the export of English manufactured products to Germany; thirdly, the German Customs-Union professes to be ready to reduce its duties upon common woollen and cotton goods, in the same proportion as England shall reduce her duties upon the importation of German wheat and timber. England cannot fail by this policy again to ruin the German manufacturers. But we must not delay: every year, the manufacturers of the Union acquire more influence, and if you hesitate, the abolition of the corn laws will come too late. In a short time the beam of the balance will denote a different state of things. Ere long the German manufacturers will create such a great demand for agricultural products, that Germany will have no wheat to export. What concessions can you then offer, to reconcile her to the destruction of her own manufactures, to prevent her from spinning the cotton she weaves, and from encountering, if not rivalling you in every market of your foreign trade?

Such was the argument advanced by the author of the Report to the land-holders of England. The political rule of Great Britain permits no secret Reports to the Cabinet. Dr. Bowring's paper was therefore to be public, and liable, by means of translations and extracts, to fall into the hands of the Germans. It was needful, for that reason, to abstain from expressions likely to enlighten the Germans upon their true interests. Every argument addressed to parliament was to be tempered by an antidote for the use of the governments of Germany. It was necessary to maintain that protection had, in Germany, given a false direction to capital, and had especially injured the agricultural interests; that those interests ought to be occupied solely with the external market; that agriculture was the principal German industry, because it gave occupation to three-fourths of the inhabitants; that it was of course a mere mockery to ask protection for the producers; that even manufacturing industry could only prosper under the effects of foreign competition; that

public opinion in Germany favored free trade; that knowledge was too widely spread in that country for any claims in favor of high duties to succeed; that the most enlightened men of the country were partisans of a reduction of duties on common woollen and cotton goods, whenever the English duties on wheat and timber should be diminished.

This Report, in a word, utters two opposite and contradictory opinions. Which is the true one? That addressed to the English parliament, or that intended for the ear of the governments of Germany? It is difficult to answer the considerations presented by Dr. Bowring to influence the parliament in diminishing the duties on German wheat and timber, resting as they do upon statistical data, precise calculations and evidences; those tending to divert the German governments from the protective system are mere naked assertions.

Let us notice the arguments by which Dr. Bowring proves to the parliament that if the progress of the protective system in Germany shall not be arrested in the mode he proposes, the German market will be irrevocably lost for English manufactures.

The German people, he says, are distinguished by moderation, economy, application, and intelligence. The German is generally educated. Excellent special schools have diffused technical knowledge throughout the country. The arts ef design are there much more highly cultivated than in England. The considerable increase which the population of Germany presents every year, as well as the number of the cattle, and especially of the sheep, shows the progress of agriculture. Dr. Bowring here omits the important fact of the increase in the price of lands and agricultural productions. In the manufacturing districts, wages have increased thirty per cent.; the country abounds in unemployed water-power, the least expensive of all motive powers. Mining has there reached an activity hitherto unknown. From 1832 to 1837, Germany has accomplished signal progress in all protected branches of industry, and especially in woollen and cotton goods for general use, the importation of which from England has wholly ceased. Nevertheless, Dr. Bowring admits,

in accordance with the evidence submitted by him as worthy of trust, that the price of Prussian goods is sensibly lower than the corresponding English goods; that some colors are certainly not equal to those of the best English dyers; but that others are unexceptionable, and as perfect as possible; that as to spinning, weaving, and other processes of elaboration, Germany is fully on a par with Great Britain; that she only discloses some inferiority in dressing; but that the imperfections in her industry will disappear in the course of time.

It is easy to perceive that such an exposition may finally lead the English parliament to repeal legislation which has hitherto operated as a protection to Germany; but what seems to us altogether incomprehensible is, that England could hope by these Reports to induce Germany to abandon a system to which she is indebted for such immense progress.

Dr. Bowring assures us, that German industry is protected at the cost of her agriculture: but how can we credit this assertion, when we see the demand for her agricultural products, the price of those products, the rate of wages, rents, and the value of lands, increasing greatly throughout the country, and on the other hand, agriculturists paying for manufactured articles no higher prices than before.

Dr. Bowring thinks that in Germany there are three agriculturists for one manufacturer; but this only shows that the number of manufacturers is not in due proportion with the agriculturists, and we cannot see how the proportion can be re-established, unless by extending protection to those industries which are yet carried on in England to supply the German market, but by workmen who consume the farm products and other goods of England instead of those of Germany.

Dr. Bowring pretends that agriculture can only look abroad for an increase of its market; but the example of England is not alone in showing that a full demand for agricultural products can only be secured by a flourishing home manufacture, and this Dr. Bowring implicitly acknowledges by expressing in his Report the fear that if England should delay for a few years

the repeal of her corn laws, Germany may no longer have wheat or timber to spare for exportation.

Dr. Bowring states the truth when he asserts that the agricultural interests have obtained the supremacy in Germany; but this interest, by the very fact that it preponderates, must, as has been shown in the foregoing chapter, by promoting the growth of manufactures, endeavor to establish a real equilibrium; for the prosperity of agriculture depends upon its equilibrium with the manufacturing interest, and not upon its own supremacy.

But the author of this Report is completely astray, in our opinion, in affirming that the interest of the German manufacturers invites competition from abroad in the German market, for the very reason, that as soon as they shall be able to supply their own country, they must encounter that same competition in foreign markets when they come to export the surplus of their production, a competition which they can only sustain by cheapness; now cheapness is contrary to the essence of the protective system; the only object of which is to secure high prices for the manufacturer. This reasoning contains as many errors and falsehoods as can be expressed in so many words. Dr. Bowring will not deny that a manufacturer can sell his articles at a price lower in proportion as he produces more, and that of course an industry already in possession of a market is the more able to sell at low rates a portion of its products in a foreign market. He will find the evidence of this in the very tables he has published on the progress of German industry; in fact, in proportion as home industry took possession of the home market, it also increases its exports. The recent experience of Germany, as well as the old experience of England, shows that the protective system has by no means the necessary consequences of high price for manufactured articles. German industry, in fact, is far from able to supply the home market. To do this, it must manufacture the 13,000 quintals of cotton goods, the 18,000 quintals of woollen goods, and 500,000 quintals of cotton and flax thread, which are actually imported from England. This result being attained, Germany will have to import besides half a million of quintals of raw cotton, and to this effect increase

in similar proportion her direct relations with tropical countries, by paying for a great part, if not the whole amount of this cotton, with the products of her manufactures.

The opinion pronounced in the Report, that the public sentiment of Germany is for free trade, requires correction in this, that since the establishment of the Customs-Union, they have, in Germany, a clearer idea of what is understood in England by free trade; for, since that time, as Dr. Bowring himself tells us, "the ideas of the German people have left the sphere of hope and fancy for that of positive and material interests."

He says rightly enough that knowledge is widely diffused in Germany; it is for this reason that they have ceased there from pursuing cosmopolite dreams; that they think for themselves; that they defer to their own judgment, to their own personal experience, to their own good sense, more than to systems which experience denies and condemns; it is for this reason that they begin to understand why Burke, when opening his heart to Adam Smith, declared that a nation must be governed, not according to cosmopolite systems, but according to a profound knowledge of its interests; for this reason, that they suspect in Germany those advisers who blow hot and cold with the same breath; that they appreciate at their true value the advances of industrial rivals and their propositions; lastly, that they remember, whenever a proposal comes from England, the famous line of the poet upon the subject of Greek presents.

There are, therefore, reasons for doubting whether statesmen of influence in Germany have seriously promoted the hopes of the author of the Report, that that country would renounce her protective system for the low price of permission to send to England some shipments of wheat and timber; at any rate, public opinion would hesitate to place such statesmen in the class of reflecting men. To deserve that title in Germany, it suffices not to have been trained in the common-places and beaten paths of the cosmopolite School; they require a statesman to know the strength and the wants of his country, and without being preoccupied with systems, to apply himself to develop the former and to provide for the latter. He would

betray a great ignorance of that strength and those wants, who should be ignorant what immense efforts have been necessary to carry the industry of a country to the stage at which German industry has now arrived, who should not be able to foresee the brilliant future of the latter, who could betray the confidence which the German manufacturers have put in the wisdom of their governments, and thus destroy the spirit of national enterprise; who should not know how to distinguish the elevated rank occupied by a manufacturing nation of the first order, from the humble condition of an exporter of wheat and timber; who should not understand how precarious, even in ordinary times, a foreign market is for those articles; with what facility concessions, of which they might have been the object, may be withdrawn, and what fatalities are involved in an interruption of that trade caused by war or revolutions; lastly, who has not learned by the example of other large States, how far the existence, the independence, and the power of a nation, depend upon the possession of a manufacturing industry, developed in all its branches?

Indeed very little notice can have been taken of the feeling of nationality and unity which has risen in Germany since 1830, to believe with the author of the return, that the policy of the Zoll-verein will be controlled by the interests of Prussia; because two-thirds of the population are Prussians; because the interests of Prussia require the export of timber and grain to England; because her manufacturing capital is insignificant, and Prussia will, of course, oppose every impediment to the import of foreign manufactured products; and because all the heads of the ministerial departments are determined upon this policy.

We read, however, in the beginning of the Report, as follows: "The German Customs-Union is the realization of the idea of nationality so widely diffused in that country. If that association be well directed, it will effect the fusion of all the German interests into a single one. It is the first step to German commercial unity; it has opened the way to political unity; it has substituted a large and powerful national element in place of narrow ideas, prejudices, and superannuated habits."

Now how shall we reconcile these wise and just observations with the opinion that Prussia would sacrifice her independence and the future grandeur of the country to paltry considerations of private interest, of an interest ill-understood, and at best, merely temporary; that she would not understand that Germany rises or falls in proportion as she is faithful to her commercial policy, as Prussia herself rises or falls with Germany? How are we to reconcile the assertion that the chiefs of department in Prussia would be opposed to the protective system, with the fact that the duties on woollen and cotton goods have emanated from Prussia? These contradictions and the brilliant picture which the author has drawn of Saxon industry and progress, cannot but awaken the suspicion that his intention was to excite the jealousy of Prussia.

Be this as it may, it is strange that Dr. Bowring has attached so much importance to the particular opinions of the heads of the departments; he, an English publicist, who knew the power of public opinion, and who must have known that, in our time, the personal ideas of the heads of department, even in non-constitutional States, have but little weight when they are at strife with public opinion, with the material interests of a country, or when their tendency appeared to be retrograde and anti-national. But he seemed to understand this well, when he confessed that in reference to the repeal of the corn laws, the Prussian, as well as the English government, had ascertained by experience that the opinion of public officers does not prevail in all places nor at all times; that there was, therefore, ground for considering whether the corn and the timber of Germany should be admitted into England even without previous concessions of the Customs-Union, so as to open the way in the German markets for the sale of English manufactures. This view is perfectly correct. Dr. Bowring understands that the corn laws of England have enlarged German industry; that, without them, that industry would have been far less efficient; that their repeal might not only arrest further progress, but cause it to recoil, at least if we suppose the commercial legislation of Germany to remain the same as at present. It is to be regretted that the

English had not, twenty years ago, acknowledged the justness of this reasoning. In our days the English legislation not having separated German agriculture from the British manufactures, Germany, with a progress of twenty years in an industrial career achieved at immense sacrifices, would be blind to allow herself to be diverted by the repeal of the English laws from the great national object she is now pursuing. We have, indeed, a firm conviction that Germany, in that case, ought to increase her duties as compensation for the advantage which the repeal of the corn laws would give to the English over the German manufacturers. For a long time to come, Germany can adopt no other policy toward England than that of a manufacturing nation yet far behind, but exerting all her energy to overtake, if not surpass her rival. Any other policy would endanger German nationality. If the English need corn or timber from abroad, whether they import from Germany or any other country, Germany must not strive less to preserve the advantages which her industry has already obtained, and to secure a greater progress in time to come. If the English are unwilling to receive the wheat and the timber of Germany, so much the better; her industry, her shipping, her foreign trade will increase the faster, her system of internal communication will be improved the sooner, and the German nationality will acquire the more certainly its natural basis. It may be that corn and timber in the Baltic provinces of Prussia will not advance in price as promptly in this case as if the British markets were immediately opened; but the improvement of the means of communication at home, and the demand for agricultural products, created by home manufactures, will proceed with a degree of rapidity far from unsatisfactory, in a market established in the very centre of Germany, a market not only established, but made permanent forever—no longer oscillating, as heretofore, from one decennial period to another, between famine and abundance. With respect to power, Prussia, in pursuing that policy, will gain a real influence in the interior of Germany, of an hundred times greater value than the sacrifices made in

her Baltic provinces; but she will merely have made a loan to the future at a heavy interest.

It is obvious that by means of this report the English ministry meant to obtain admission into Germany for the common articles of wool and cotton, either by the suppression or the modification of our specific duties, or a diminution of the rates, or by the admission into the English market of German corn and timber; this would be making the first breach in the protective system of Germany. The articles of general consumption are, as we have shown, by far the most important: they constitute the basis of the national industry. With a duty of ten per cent. *ad valorem*, as demanded by England, and the undervaluations which always attend the *ad valorem* system, German industry would be almost wholly sacrificed to English competition, especially in times of commercial crisis, when the English manufacturers are obliged to dispose of their goods at almost any price. There is no exaggeration in averring that the propositions of England tend to nothing less than the overthrow of the whole system of German protection, with a view to reduce Germany to the condition of an agricultural colony of England. It is for this purpose that Prussia is reminded of the benefit her agriculture will derive from a reduction of the English duties on corn and timber, and of the small importance of her manufacturing interests.

It is with this object too that hopes have been held out of a reduction of duties on her spirits, and, not neglecting entirely the other States, of reducing five per cent. the duties on the toys of Nuremberg, on eau de Cologne and other trifles. This gratifies small States, and costs very little.

The intention of this report was to persuade the German governments that it is their interest to employ England to spin their cotton and flax. No doubt but that the policy of the Union, which has consisted, first in favoring the printing, and then the weaving, and in importing threads of middling and superior qualities, has been hitherto a good one; but it does not follow that it must be for ever good. Industrial legislation must keep pace with national industry, if it fulfil its proper mission. The immense

advantage which the spinning of cotton, besides its intrinsic importance, carries with it, has been already much discussed; it creates direct relations with tropical countries, and exerts in that way considerable influence upon the merchant marine, and upon our exportation of manufactured articles, and, more than any other industry, it promotes the manufacture of machinery. Since it is evident that neither the want of water, nor of good workmen, nor of money capital, nor of intelligence, prevent Germany from securing that great and productive industry, we do not see why we should not raise gradually the protective duties upon the various sizes of cotton thread, so that we may become able in the course of five or ten years to spin for ourselves and supply our own looms. However high we may value the advantages of exporting timber and corn, they are far from equal to those which spinning would procure us. We do not hesitate to declare that an estimate of the consumption of the products of the soil and of the forest which cotton-spinning must occasion, would clearly evince that that branch of industry must yield the landed proprietors of Germany a much higher profit than any which the market abroad can offer.

Dr. Bowring doubts whether Hanover, Brunswick, the two Mecklenburgs, Oldenburg and the Hanseatic cities, will join the Customs-Union, unless the latter shall consent to a radical diminution of its import duties. At present we would not think of a remedy which is an hundred times worse than the disease. Our faith in the future of Germany is moreover not quite so small as that of the author of the Report. As the revolution of July, 1830, has been useful to the German association, the first grand commotion will remove all the little scruples which have hitherto prevented those small States from giving way to the superior exigencies of the German nationality. How far commercial unity is important to nationality, and how far abstraction, being made of material interests, may be useful to the German governments, may be seen by the late memorable experience of France upon the Rhenish frontier.

The governments and the people of Germany begin now to understand that national unity is the rock upon which rests the

edifice of their prosperity, of their national importance, their power, their security for the present, and their grandeur for the future. The refusal of the small States of the coast to join the Union, will soon appear, not only to the associated, but to the separate States themselves, as a standing national disgrace, which should be wiped off at any cost. Besides, if we examine closely, the material advantages of accession far outweigh the sacrifices they are called to make. The more the manufacturing industry, the routes of communication and foreign trade of Germany shall be developed, as they should be in a country abundant in resources, under the influence of a skilful commercial policy, the more the desire of taking a direct part in those advantages shall be awakened in those States, the more inclined will they be to renounce the vicious habit of looking abroad for prosperity.

As for the Hanseatic cities in particular, the spirit of independence which animates the sovereign district of Hamburg by no means destroys our hopes. In those cities, according to Dr. Bowring's own testimony, very many persons comprehend that Hamburg, Bremen and Lubeck should be to Germany what London and Liverpool are to England; what New York, Boston, Philadelphia, are to the United States; they acknowledge that the confederation offers to their commerce advantages far exceeding the inconveniences of submission to the joint regulations; and that a prosperity without a guarantee of duration is in the last analysis but a mere phantom.

Men of sense in those cities can rejoice unreservedly at the constant increase of their tonnage, at the progressive extension of their commerce, when they recollect that two frigates from Heligoland, appearing at the mouth of the Weser and the Elbe, could destroy in twenty-four hours the work of a quarter of a century. The Union will guarantee for ever to those places their prosperity, and their progress, on the one hand with a fleet of her own, and on the other by the aid of alliances. The Union will protect their fisheries, favor their navigation, and by commercial treaties, effected under a good consular organization, it will consolidate and develop their commercial relations in all

parts of the world, and in all ports. Aided by their enterprise it will found colonies, and its colonial commerce will be in their hands.

A confederation of thirty-five millions of inhabitants (that will be the number when it is complete), with a mean yearly increase in population of one and a half per cent., can easily send abroad yearly, two or three hundred thousand individuals; a country, the provinces of which swarm with educated and intelligent men, disposed to seek their fortune in distant countries, easily taking root in any place, gladly establishing themselves wherever virgin land is to be found; — such a confederation must soon take the first rank among the nations which found colonies and propagate civilization.

The necessity of this achievement of the Zoll-verein is so generally felt in Germany, that the author of the Report could not help noticing it. "A sea-coast more extended, a greater number of harbors, an increase of shipping, a federal flag, a merchant marine, and a navy, such are the objects ardently longed for by the Germans, partisans of the Zoll-verein; but they would have little chance of prevailing against the growing squadrons of Russia and the merchant marine of Holland and the Hanseatic cities."

Against them, it is true, the Union could not accomplish much. But it could not but be stronger *with them* and *through them*. It is in the nature of every power to divide in order to conquer or to govern. Having explained how unwise it would be in the States of the East to join the Zoll-verein, Dr. Bowring separates for ever the great German ports from the rest of Germany, by showing how the warehouses of Altona might injure those of Hamburg; as if a great commercial State could not find the means of deriving advantages from the warehouses of Altona. We shall not follow the author in his subtle reasonings, but limit ourselves to observing that, applied to England, they would prove that London and Liverpool would gain immensely by a separation from the rest of the country. The idea of that argument springs from the Report of the English Consul at Rotterdam. "In the interest of British commerce,"

says Alexander Ferrier, at the end of his Report, "it is very important not to neglect any means of preventing the accession to the Zoll-verein of the recusant States, as well as of Belgium, and this for reasons which are too obvious to need explanation." If Alexander Ferrier and Dr. Bowring hold such language, if the English cabinet act upon their advice, how can that be subject for reproach? It is English instinct that speaks and acts. But to look for advantages to Germany from propositions emanating from such a source, is truly to exceed the measure of our national facility.

"Happen what may," adds Ferrier, "Holland must always be considered as the principal medium of communication between Southern Germany and other countries." It is obvious that, by other countries, Alexander Ferrier means only England, and that his meaning is, If the English manufacturing supremacy loses German props on the North Sea and the Baltic, at least one support will be left, Holland, to supply Southern Germany with manufactured articles and colonial goods. From our natural point of view, we say and affirm that Holland is, by her geographical position, by her commercial and industrial relations, by the origin of her inhabitants and their language, a German province, separated from us by intestinal commotions, and which needs now to be reincorporated, otherwise Germany would be like a house, the door of which belonged to a non-resident foreigner. Holland belongs to Germany as much as Brittany and Normandy to France; and so long as Holland remains a distinct State, the independence and the power of Germany will suffer, as France would, if Brittany and Normandy had remained in the hands of the English. If Holland has lost her commercial power, it is owing to her territorial insignificance. Not even the prosperity of her colonies can prevent Holland's continual decline, until she can no longer bear the immense expenses of a military and naval establishment. Her efforts to preserve her nationality will serve only to plunge her deeper into debt. She remains under the control of England, the supremacy of which she helps to consolidate by her apparent independence. This was the secret motive of England in the Con-

gress of Vienna, in the restoration of the would-be Dutch independence. It is with Holland as with the Hanseatic cities. She is but the humble servant of the English fleet; incorporated into Germany, she would have the command of the German navy. In her present state, Holland is far from being able to manage to good advantage her colonial possessions, as she could do, were she a part of the German Confederation, for the very reason that she wants the necessary elements of colonization; that is, men and intellectual power. Moreover, the management of her colonies, as hitherto conducted, depends mainly on the good nature of Germany, or rather on German ignorance of commercial interests, which still continues; for, whilst some nations are supplied with tropical commodities by their own colonies, and others by nations subject to them, the Dutch have only Germany as a market for the surplus of their commodities. But as soon as the Germans shall fully understand that those who furnish them with colonial goods must consent to receive in return their manufactured articles, they will find that they have the power of obliging the Dutch to come into the Zoll-verein. Such a union would be eminently advantageous to both countries. Germany would furnish Holland with the means, not only of advancing her own colonies, but of founding and acquiring new establishments. Germany would favor the Dutch and Hanseatic shipping, and would grant to the products of the colonies of the Netherlands special privileges. On the other hand, Holland and the Hanseatic cities would export in preference the products of German manufactures, and expend their surplus capital in the manufactures and agriculture of Germany.

"Holland has declined as a commercial power, because, being a mere fraction of nationality, she attempts to exist as a whole; because she has sought her advantage in oppressing and weakening the productive power of Germany, instead of founding her glory on the prosperity of the country lying behind her, a country of which she is naturally a part; because she desired to rise by isolating herself from Germany, instead of being associated with her; Holland can never regain her ancient splendor but in association with Germany, and by uniting

with her in the closest bonds. This union can alone found an agricultural, manufacturing, and mercantile nation of the first rank."

Dr. Bowring unites in his table the imports and the exports of the Zoll-verein, with those of the Hanseatic cities, Holland and Belgium; and this exhibits in a strong light how greatly those countries are still dependent on the manufactures of Great Britain, and to what enormous extent their productive power would be increased by association. He values the sum-total of the goods which those countries receive from England at £19,842,121, official value, and to £8,550,347, declared value; and their shipments to England at only £4,804,491, including, as is well known, considerable quantities of Java coffee, cheese, and butter, which England imports from Holland. These figures speak whole volumes. We thank Dr. Bowring for this assemblage of facts; may he soon have occasion to announce another commercial, political, or rather industrial union.

CHAPTER III.

CONTINENTAL POLICY.

THE highest object of rational politics is, as we explained in our second Book, the association of nations under the reign of law. This object can only be attained by the elevation of the most important nations to a degree as equal as possible in culture, prosperity, industry and power, by the change of antipathies and quarrels which divide them, into sympathy and good understanding.

In our days, nations are estranged from each other by various causes. In the first rank are questions of territory and boundary. The political division of Europe does not yet correspond with the nature of things. Even in theory there is no agreement as to the basis of territorial distribution. Some, without regard to language, origin, or course of commerce, desire a territory large,

compact, and well adjusted in reference to the capital, this being central, and, if possible, well sheltered from foreign aggression; with rivers for external boundaries. Others maintain, with greater appearance of reason, that sea-coast, mountains, language and origin, are better barriers than rivers. There are nations, however, holding neither the mouths of their rivers nor the sea-shore, so indispensable to the development of their external relations and their naval power.

Were every nation in possession of the territory needful for its development and the maintenance of its political, industrial, and commercial independence, any encroachment would be contrary to a sound policy; for every violation of such a territorial adjustment would keep alive the susceptibilities of the injured nation; and the sacrifices made by the usurping power to keep its impolitic acquisitions, would far surpass the advantages it could derive from them. But, in our time, it is vain even to think of a rational division; the subject is involved in, and complicated with such various interests, as to make it wholly impracticable. It is, however, not possible to overlook the fact, that a well-shaped territory is one of the first requisites of a nation; that the desire of meeting this requisite is legitimate; and that it may sometimes be the legitimate cause of war.

Other motives of antipathy exist at present among nations; diversity of interests as to manufactures, commerce, navigation, navies, colonies; the want of equality in civilization, difference of religion and political rule. All these interests are varied in a thousand ways by questions of dynasty and power.

Causes of antipathy are also causes of sympathy. The less strong unite in sympathy against such as are too strong; the oppressed against the oppressor; continental powers against the maritime supremacy; the nations whose industry and commerce are yet in their infancy against such as aspire to monopoly; the civilized against the barbarian; those living under monarchy against those whose government is more or less democratic.

Nations seek satisfaction of their interests and their sympathies, by means of alliances among themselves, against opposing

tendencies and interests. But as these interests and tendencies cross each other in different directions, alliances are precarious. Nations friendly to-day may become hostile to-morrow, and the reverse, according as the great interests or the great principles which divide them are brought into question.

Politics has long tended toward equality of nations as its main object; what is called the maintenance of the European equilibrium, has never been any thing else but the resistance of the least powerful to the attacks of overwhelming power. Politics, however, has often confounded its immediate object with its more remote aim, and *vice versâ*.

The main object of politics consists always in clearly distinguishing which one of the various interests of the country demands the most imperiously immediate satisfaction, and until this satisfaction be obtained postpones and thrusts all other questions aside.

When the dynastic, monarchical and aristocratical interests of Europe, forgetting all other question of power and commerce, united their strength against the revolutionary tendencies of 1789, their policy was intelligible.

It was so too, when the empire substituted conquest for a revolutionary propaganda.

By his continental system, Napoleon wished to organize a coalition against the maritime and commercial preponderance of England. To succeed in this, he ought to have first secured the continental nations against the fear of being conquered by France. He failed, because among those nations the terror of his continental preponderance far exceeded the disadvantages of English maritime supremacy.

With the fall of the empire the great alliance ceased to have an object. Since that time the continental powers have neither been threatened by revolutionary tendencies, nor by the conquests of France; on the other hand, the superiority of England in manufactures, shipping, trade, colonies and naval power, increased immensely during the struggle against revolution and conquest. From that time, it became the interest of the continental powers to unite with France against that com-

mercial and maritime supremacy. But the fear inspired by the skin of the dead lion prevented the continental powers from feeling that the living leopard, England, which had hitherto been fighting in their own ranks, was now preying on their vitals. The Holy Alliance was a political mistake.

That mistake, however, found its atonement in the revolution of 1830. The Holy Alliance had needlessly provoked a power which no longer existed — at any rate, would not have reappeared for a long time. Happily for the continental powers, Louis Philip succeeded in abating in France the revolutionary spirit. France and England concluded an alliance; France, in the interest of the dynasty of July, and of the consolidation of the constitutional monarchy; England, in the interest of her commercial supremacy.

The Anglo-French alliance ceased to exist as soon as the dynasty of July and the constitutional monarchy in France became sufficiently established; and as soon as the interests of France in matters of maritime power, shipping, commerce, industry and foreign territory, reappeared upon the foreground. France has in these questions the same interest as the other continental powers; and the formation of a continental alliance against the maritime preponderance of England may come to be the order of the day, if the dynasty of July succeeds in establishing in France a perfect harmony of opinion among the various organs of public power, in laying out of view the territorial questions agitated by the revolutionary spirit, and tranquillizing fully the continental monarchies as to the tendencies of France to agitation and conquest.

The chief obstacle in our day to a close union of the powers of the European continent, is in the fact that the central portion does not perform the part that belongs to it. Instead of serving as a medium between the East and the West in all questions of territory, constitution, national independence and power; a mission with which it is invested by its geographical position; by its federal system excluding all fear of conquest on the part of neighboring nations; by its religious tolerance and its cosmopolitical spirit; lastly, by its elements of civilization;

this centre is at present but an apple of discord between the different sides of Europe, each of which entertains hopes of drawing to its side a weak power, because not united and ever uncertain and vacillating in its policy. If Germany, with her sea-coast, with Holland, Belgium and Switzerland, would form a strong commercial and political union, if this powerful national body would reconcile as much as possible existing interests, monarchical, dynastical and aristocratical, with the representative institutions, Germany might guarantee a long peace to Europe, and at the same time form the centre of a durable continental alliance.

It is manifest, that as England surpasses immensely the other maritime powers, if not in the number of vessels, at least in naval skill, the other powers must of course unite in order to maintain an equilibrium. Every one has an interest in the maintenance and in the development of the naval power of the others; and these fragments of nations, hitherto isolated, and without navies of any strength or importance, should now unite their naval resources. It would be a loss to France and to the American Union, as respects England, should the Russian navy become less efficient—and vice versâ. It would be a benefit to all if Germany, Holland and Belgium, should in common equip a navy; for, apart, they are at the mercy of English supremacy; united, they would constitute a formidable defence against that supremacy.

Of these maritime nations no one possesses either a merchant marine out of proportion with its external trade, nor a manufacturing industry of a marked superiority; no one of them of course has any reason to fear the competition of others. All, on the other hand, have a common interest in defending each other against the destructive competition of England; all have a common interest to take from English industry, in Holland, Belgium and the Hanseatic cities, those strong positions by which she has hitherto governed the continental market.

The commodities of the torrid zone being chiefly purchased with the products of temperate climes, the consumption of the former depending on the market for the latter, and every manu-

facturing nation being interested consequently to open and prosecute its own trade with tropical countries, if the manufacturing nations of the second rank should ascertain their own interests and prosecute them earnestly, the monopoly of the colonial or tropical trade would cease to exist. If, for instance, England should succeed according to her wishes in producing in the East Indies the tropical goods required for her consumption, her trade with the West Indies would be reduced to the extent of the market she might find for the West India products received for her manufactures. For want of such a market, her possessions in the West Indies would cease to be of advantage; the only alternative then, would be either wholly to emancipate them or to permit them to trade freely with other manufacturing countries. All manufacturing and maritime nations of the second rank have a common interest in adopting that policy, and in mutually sustaining each other; no one then can lose by the accession of Holland to the German Customs-Union, nor by close relations between Germany and the Dutch colonies.

Since the emancipation of the Spanish and Portuguese colonies of South America and the West Indies, it is no longer necessary for a nation to possess colonies in the torrid zone for the purpose of exchanging manufactured products directly for tropical commodities. The markets of those emancipated colonies being free, any manufacturing country able to encounter the competition, may enter into that trade. But those tropical countries only produce a large quantity of commodities, and consume large quantities of manufactured articles, when competency, morality, peace, public order and religious tolerance, are established or acclimated in them. All the maritime nations of the second rank, and especially those having none or insignificant colonies, have then a common interest in improving their condition even by union of effort. The social state of those countries is of much less account to the first commercial power; it being already or expecting to be provided with tropical commodities from its own closed and dependent markets in the two Indies.

The important question of slavery deserves consideration also

from this point of view. We are not unwilling to admit that there has been much philanthropy and uprightness in the zeal shown by England in their liberation of West India slaves — a zeal highly honorable to the British name. When we regard, however, the direct results of this measure, we cannot forbear thinking that commercial policy and individual interests had a large share in it. What are these results? First, the sudden emancipation of the negroes, the rapid transition from an inferior position, and almost bestial thoughtlessness, to a high degree of personal independence, must diminish enormously, and finally reduce almost to nothing, the production of tropical commodities in South America and in the West Indies; the example of St. Domingo, where, since the expulsion of the French and the Spanish, production has decreased from year to year, and continues to decrease, is a case with just such a result; secondly, the emancipated negroes demanding high wages, while confining their labor to the production of the most indispensable articles, their liberty must have its final result in idleness; thirdly, England possesses in the East Indies the means of supplying the whole world with tropical commodities. It is known that the Hindoos, though laborious and industrious, are extremely abstemious, in consequence of their religious prohibition to use flesh as food. Add to this, the want of capital among the natives, the great productiveness of the soil in vegetables, the hinderances to industry from the system of castes, and the great competition in labor. The result of all this is, that labor is incomparably cheaper in the East than in the West Indies and South America, whether in the latter countries the tillage be carried on by free negroes or by slaves; that, consequently, the production of the East Indies, as soon as their internal trade is disencumbered, and wise principles of administration prevail, must increase enormously, so that the time is not far distant when England will draw from thence, not only all the colonial commodities required for her consumption, but also immense quantities for consumption in other countries. By diminishing the products of the West Indies and South America, whither other countries still send manufactured products, Eng-

land suffers no disadvantage; she will, indeed, receive benefit from it, if the demand for tropical commodities from the East Indies increases greatly in markets supplied exclusively with her manufactures. Fourthly, it has been maintained, also, that by the emancipation of these slaves England desired to hold a sword over the heads of the Slave States of North America; that the danger of the Union may increase in proportion as that emancipation gains ground, and awakens among the negroes of those States a desire for liberty.

To look more closely into this subject, a philanthropic experiment, so uncertain in its results, even for those whom it was intended to favor, appears anything but advantageous to nations trading with South America and the West Indies; it is not without reason, then, that we ask these questions: Is not the sudden transition from slavery to freedom more injurious to the negroes themselves than a continuance in their present condition? Is not a series of generations necessary to train to free labor, men accustomed to the yoke of the brute? Would it not be better to operate the transition from slavery to freedom by means of a good system of servitude, securing to the slave certain rights in the ground he cultivates, and an equitable part in the results of his labor, the proprietor having ample authority to compel the slave to labor, and to regulate his conduct? Would not such a system show better results than the condition of those miserable hordes of so-called free negroes, drunken, idle, debauched, begging; a condition, in comparison of which, Irish poverty, in its most hideous form, may be regarded as comfortable and civilized? If it be maintained that there is a necessity laid upon the English to raise every human being to the same degree of liberty which they enjoy themselves, — a necessity so strong, so irresistible, that they are excusable for having forgotten that nature does not proceed by leaps, we would ask if the condition of the inferior castes of Hindoostan is not much more miserable and abject than that of the negroes of America? How is it that English philanthropy has never been moved in favor of these most unfortunate of all mortals? How is it that England has not yet taken any step in their favor, and that she

exerts herself to make the utmost possible advantage out
their distress, without any serious efforts for relief or solace?

English policy in the East Indies leads us to the Easte
question. If we pass over in the politics of the day all th
relates to territorial disputes, dynastic, monarchical, aristocra
cal, and religious interests, and to the relations between cabine
we cannot but see that the continental powers have in Easte
questions an interest at once great and economical. Gover
ments may, perhaps, momentarily succeed in keeping these qu
tions in the back-ground; but they will soon reappear, claimi
attention upon more serious grounds than ever. It is a fa
long since acknowledged by reflecting men, that a country li
Turkey, the moral, religious, social, and political existence
which is undermined on all sides, resembles a corpse which m
stand up for a while by the help of the living, but which is n
vertheless in a state of decomposition. It is nearly the sa
with the Persians as with the Turks; so also with the Chine
the Hindoos, and with all other Asiatic nations. Wherever t
decaying civilisation of Asia begins to be touched by the fre
wind of Europe, it falls into dust; and Europe will soon or la
be under the necessity of taking all Asia under her guardia
ship, as England has already done with the East Indies. In a
this pell-mell of territories and populations, there is not a sing
nationality worthy of being regenerated, or capable of any pr
longed duration. The complete dissolution of Asiatic natio
seems, therefore, unavoidable; and the regeneration of As
seems possible only by the means of an infusion of Europea
life, by the gradual introduction of Christianity, of our manner
our culture, by European emigration, and the guardianship o
European governments.

Reflecting on the course which this regeneration may tak
we are favorably struck at once by the fact that the greate
part of the East is abundantly supplied with natural wealth
that it is capable of producing for the manufacturing nations o
Europe large quantities of raw materials and food, especiall
commodities of the torrid zone, thus opening an immense mark
for the products of their manufactures. It is an indication o

nature that this regeneration, as well as the culture of uncivilized people in general, must be accomplished by means of a large exchange of agricultural products for manufactured products; European nations should, therefore, begin by admitting the principle that no one of them should retain any exclusive commercial privilege in any part of Asia, that no one should be favored in preference to others. To develop such a trade, it would be necessary to erect the principal places of the East into free cities, in which the European population should have the privilege of governing themselves, on condition of paying a yearly tax to the governments of the country.

Near these, in accordance with the example of England to India, would be placed European agents, whose advice the native governments would be expected to follow in what pertained to public security, order, and civilization.

All the continental powers have a common and powerful motive to prevent the two routes, the Mediterranean by the Red Sea, and that by the Persian Gulf, from becoming the exclusive possession of England; or their remaining inaccessible in the hands of the Asiatic barbarism. It is obvious that the solution offering the safest guarantees to Europe would be in making Austria the guardian of these important points.

All the continental powers, jointly with North America, have an equal interest in establishing the doctrine: "The flag protects the goods;" and that neutral powers are bound to respect only an actual and effective blockade of one or another port, but not a single declaration of blockade against a whole sea-coast.

Finally, the right of taking possession of uncultivated or uninhabited countries, seems to require some revision in the interest of the continental powers. We may smile in our days at the fact that the Pope dared in former times to give away islands and vast regions, upon which no subject of his ever set foot; nay, with a stroke of his pen, to divide the globe into two parts, giving one to this man, another to that. But is it any more reasonable to acknowledge that the right of property in a whole country belongs to him who first takes possession of a few feet of the soil by planting a pole adorned by a silk

flag? It may indeed be just, that for islands of small e
the right of the discoverer should be respected; but when
islands are in question, islands as large as many of the
States of Europe, New Zealand, or Australia, a continent
than Europe, no exclusive privilege should be recognize
that of effective occupation, by means of colonization
only upon the territory actually colonized; and it is not e
see upon what just principle the Germans or the French
be denied the privilege of founding colonies on territory d
from the British establishments.

If we consider the importance of the interests common
continental nations, in reference to the first maritime p
we acknowledge that there is nothing more necessary for
than union, and that nothing would be more fatal than
The history of the last century shows that each war of th
tinental powers among themselves has helped to develo
industry, the wealth, the navigation, the colonial empire
the power of Great Britain.

It is not, therefore, to be doubted that Napoleon's conti
system was based upon an exact appreciation of the want
interests of the continent; Napoleon, however, wished to r
an idea in itself just, by encroaching upon the indepen
and the interests of other continental powers. Napoleon's s
had three great defects: First, it proposed to substitute f
maritime supremacy of England the continental suprema
France; instead of keeping in view the development an
equality of other continental powers, it contemplated
humiliation or their dissolution for the benefit of France.
closed France to the other continental powers when Franc
claiming free competition in their markets. Finally, h
destroyed almost entirely the trade between the manufact
countries of Europe and the tropical countries, he was ol
to replace artificially the products of those countries.

The idea of a continental system will never be given up
necessity of its realization will be the more felt by the
nental nations as England's industry, wealth and power inc
This is evident in our day, and will become more so, as

progresses. But it is not less certain that no continental alliance can be successful until France shall be willing to avoid Napoleon's errors.

It is unwise, then, on the part of France to annoy Germany with questions of boundaries, making claims unfounded in law and in the nature of things, thus compelling other continental nations to adhere to England.

It is folly on her part to speak of the Mediterranean as of a French lake, and to aspire to an exclusive influence in the East and in South America.

An efficacious continental system can proceed only from the free association of the continental powers, and can succeed only upon the condition of an equal participation in all advantages that are to result from it. In this way, and not otherwise, can the maritime powers of the second rank, without resorting to arms, make themselves so respected by England, as to induce her to listen to their legitimate pretensions. It is only by means of such an alliance that the manufacturing nations of the continent can preserve their relations with countries of the torrid zone, and at the same time defend their interests in the East and the West.

It may undoubtedly be painful to the English, greedy of supremacy, to see the continental nations developing by mutual commercial facilities their manufacturing industry, strengthening their merchant marine and their naval power, seeking participation everywhere in the culture and colonization of barbarian and uncultivated countries, enjoying full commerce with the torrid zone, and thus reaping their rightful portion of the advantages which nature has bestowed on them; but a glance at the future may console them for their supposed losses and the good fortune of their rivals.

The very same causes, indeed, to which England owes her present elevation, will raise America, probably in the course of the next century, to a degree of industry, wealth, and power, which will place her as far above England, as England is now above Holland. By the force of events, the United States will, in the meanwhile, have attained to a population of a hundred

millions; they will extend their population, their cons tion, their culture, and their spirit, over all Central and S America, as they have recently extended them over the bo provinces of Mexico; the federal bond will unite all those mense countries; a population of several hundred million souls will develop the power and resources of a continent, extent and the natural wealth of which vastly exceed thos Europe; and the maritime power of the Western World then exceed that of Great Britain in the same proportion a sea-coast and its rivers surpass the sea-coast and the river England in size and grandeur.

At no very distant period, then, the same necessity w now urges the French and the Germans to establish a contine alliance against British supremacy, will make it necessary the English to organize an European coalition against the su macy of America. Great Britain will then seek and find in control of the united European powers, her security against preponderance of America, and an indemnity for her lost premacy.

England will act wisely if she accustoms herself in time to the idea of resigning her supremacy; and if she cures, by timely concessions, the friendship of the Euro powers, among whom she must soon be content to hold the p of first among equals.

CHAPTER IV.

COMMERCIAL POLICY OF GERMANY.

If there be any country destined to manufacturing indus it is undoubtedly Germany. The high rank she occupies science, in the fine arts, and in literature, as well as in refere to education, public administration, and institutions of pu utility; her moral and religious sense, her love of labor economy, her dogged perseverance, her inventive genius,

great and powerful population, the extent and the nature of her territory, the development of her agriculture, her national, social, and intellectual resources, all these circumstances, and many more, indicate her special vocation to manufacturing industry.

If any country has a right to expect from the protective system, appropriate to its position, advantageous results in the development of its manufactures, in the increase of its foreign trade and shipping, for the improvement of its ways of communication, in the prosperity of its agriculture, as well as in the consolidation of its power, in the guarantees of its independence, and in the increase of its influence abroad, that country is Germany.

We fear not to affirm that on the perfecting of the protective system depends the active life, the independence, and the duration of German nationality. The national mind cannot take deep root, cannot bear beautiful flowers and abundant fruits, but on the soil of general competency. From the unity of material interests only can moral unity issue; from both united, flow the power of the nation. What signifies all our efforts, whatever we may be, governors or governed, nobles, citizens, learned or illiterate, men of war, or men of state, manufacturers, agriculturists, or tradesmen, if we have no nationality; if we want a security for the duration of our nationality?

But the German protective system will have but imperfectly performed its mission, so long as the thread of cotton and flax which Germany uses or weaves shall not be of her own spinning; so long as she imports not directly the tropical commodities she consumes, paying for them with the productions of her own manufactories; so long as she shall not accomplish all this by the aid of her own ships, making her flag everywhere respected; so long as she shall not possess a complete system of internal communications, by rivers, canals, and rail-roads; so long as the Customs-Union shall not extend to her whole sea-coast, as well as to Holland and Belgium. We have treated these subjects in different parts of this work: it is enough, merely to refer to them in this place.

When we import raw cotton from Egypt, Brazil, or the Unit States, we pay for it with the products of our own manufacture when we import cotton-yarn from England, we give in exchan raw materials and commodities, which we might with more p fit, work up or consume ourselves; or in the precious metals receive elsewhere, and which might be used to purchase bro raw materials for our own industry, and tropical goods for o own consumption, or to be sold to others.

So, also, the extension and improvement of the art of spinni flax by machinery will not only augment our consumption linens, and improve our agriculture, but also increase immense our relations with tropical countries.

As to the spinning of cotton and flax, as also to the wooll manufacture, we are, with our unemployed water-power, wi our low prices of food, as well prepared as any other countr we only need security for our capitalists, against the loss time, means and money; and for our mechanics, against the lo of their industry by sudden changes of policy, ending for the in pauperism. A moderate duty that would be increased in t course of the five ensuing years to about twenty-five per cen maintaining this rate for several years, and falling afterwar gradually to fifteen or twenty per cent., would suffice for t purpose of this security. All that has been urged by the part sans of the theory of value, (the School), against such a me sure, has been refuted by us. In favor of our positions, may be further urged, that great industries, like those, affor the means of founding on a large scale the manufacture o machinery and steam-engines, and of forming a class of skilf men, well versed in the industrial arts.

As to the purchase of tropical commodities, Germany, as wel as France and England, must adopt the principle of giving a pre ference to those countries of the torrid zone which take ou manufactured articles; in a word, we must buy from those wh buy from us. The same must be our rule in our relations wit the West Indies and both Americas.

But it is otherwise with Holland, which furnishes us enormou

quantities of her colonial products, and takes from us in exchange but small quantities of manufactured articles.

Holland, indeed, finds in Germany a market for the greatest part of her colonial goods; for England and France, being chiefly supplied by their own colonies, or by dependent countries, colonies and countries whose consumption of manufactures is exclusively furnished by them, can afford but a restricted market for such colonial commodities.

Holland possesses no great manufacturing industry, but her colonial production has increased immensely during late years, and its increase must be still more immense in coming years. Her policy towards Germany is unfriendly and in disregard of her true interests; finding in Germany a market for the larger portion of her colonial productions, she selects her supply of manufactured products elsewhere, at her pleasure. This is short-sighted policy, the advantages of which are but apparent; for if Holland should give the preference to the products of the German manufactories at home and in her colonies, the German demand for Dutch colonial goods would increase in proportion to the sale of German manufactured goods to Holland and her colonies. These relations of exchange are disturbed by the policy of Holland, in selling her colonial products to Germany, and importing her supply of manufactured goods from England; whilst England, however extensive the market she finds in Holland for her manufactures, receives always from her colonies and subject countries almost her entire supply of colonial products.

The interest of Germany demands, therefore, the advantage of a differential duty in favor of her manufactures, securing the exclusive supply of Holland and her colonies, or, in case of a refusal by Holland, the establishment of a differential duty, favoring the importation of the productions of Central and South America, as well as of the free markets of the West Indies.

This last measure would be the most effectual mode of inducing Holland to enter the Zoll-verein, the Germanic industrial and commercial confederacy.

In the actual state of things, Germany has no motive to s
rifice her manufactures of beet sugar to the trade with Holla
When Germany can pay for the luxuries she needs in her ma
factures, it will be more for her advantage to procure them
way of exchange with the countries of the torrid zone, than
produce them at home.

Germany should, of course, be now chiefly occupied with t
idea of extending her trade with both Americas and with t
free islands of the West Indies. For this purpose, besides otl
measures, already indicated, the following may be worthy
attention: the establishment of regular steam navigation betwe
the German maritime cities and the principal ports of th
countries; the encouragement of emigration to those places; t
strengthening of friendly relations between them and the C
toms-Union, and the promotion of their civilization.

The experience of late years has abundantly taught what
immense impulse regular steam navigation gives to commerce
large. France and Belgium are following already in the fo
steps of England in this respect, very well assured that a
country remaining behind in these means of communication mu
necessarily fall behind in her foreign trade. The maritir
places of Germany understand this perfectly; a company h
been formed in Bremen for the building of several steame
intended for the trade of North America. But this is not suf
cient. The commercial interests of Germany require regul
trade by steamers, not only with North America, and particular
with New York, Boston, Charleston, and New Orleans, but al
with Cuba, St. Domingo, Central and South America. In th
mode of communication Germany should be second to non
We cannot indeed but admit that the means necessary for th
object exceed the resources of the maritime places of German
and we incline to believe that the execution of these enterpris
is only possible by the aid of large appropriations from the tre
sury of the States of the Zoll-verein. The prospect of suc
assistance, as well as of a differential duty in favor of Germa
navigation, would be for those places a powerful motive for joi

ing the Customs-Union. If we consider the increased exportation of manufactured products and the increased importation of tropical commodities, and, of course, the increased receipts into the treasury of the Customs-Union, we cannot but acknowledge that a considerable expense might justly be incurred for this end, and that large profits might be anticipated from such an investment.

Facility of communication with those countries would greatly encourage the emigration of Germans to those regions, and this emigration would be an excellent basis of the future extension of our trade with them. For that purpose the States of the Customs-Union should appoint consuls and agents for those regions, to encourage German establishments and enterprises, and otherwise aid those countries in whatever regards their political institutions and their social condition.

We are far from sharing in the opinion that the American countries situated within the tropics are less advantageous for German colonization than the temperate climate of North America. However prepossessed, as we confess we are, in favor of the latter country, and without being able or willing to deny that the Western portion of the United States offers to an isolated German emigrant, with some capital, the best of chances of making himself a comfortable home, we must, nevertheless, declare here, that in a national view, emigration to Central and South America, well conducted, and carried on upon a large scale, would procure to Germany far greater advantages. What benefit does Germany derive from the good fortune of her emigrants to the United States if they are lost forever to her, and if she can anticipate from their labor no results specially beneficial to her? It is a delusion to believe that the German language will be preserved among the Germans settled in the United States; or, that in the course of time, German States will be formed there; we formerly partook of that error, but after ten years of observations on the very spot, we arrived at an entirely different opinion. Assimilation, as well in regard to language and literature, as to administration and laws, is in the

genius of every nationality; it must be so; and it is a spec characteristic of North America. Whatever be now the numl of the Germans residing in the United States, there is not (whose great-grandsons will not prefer the English to the G man language, and this for the simple reason that the former the United States is the language of learned men, of literatu of the laws, of the government, of the courts, of trade, of ind try, of social intercourse. It must necessarily be with the G mans in the United States as with the Huguenots in Germa and with the French in Louisiana — they will melt by force circumstances into the dominant population, some sooner, so later, according to the position they occupy with reference the other population.

Germany has still less ground to look for an active or ben cial intercourse with such of her children as are established the west of the United States. The first colonist is obliged manufacture the greatest part of his own dress and furnitu and these habits of self-dependence are transmitted frequen to the second and third generation. Add to this that No America is making rapid and energetic strides in manufacturi industry, and will soon reach the point of furnishing a sufficien for home consumption.

We do not mean to say, however, that the American marl has no great importance for the manufactures of Germany. the contrary, in our opinion, the United States is one of most important markets for various objects of luxury and artic of easy transport, in which hand-labor is the principal eleme of the cost.

In what regards this kind of merchandise, its importance Germany will increase constantly every year. What we me to assert is, that the Germans who settle in the western p of North America will not contribute perceptibly to any creased demand for German manufactures, and that in this gard, emigration to Central and South America deserves a needs much more encouragement.

The last named countries are especially destined to produ tropical commodities; they will never make progress in mar

facturing industry. There is found a new and fresh market to contend for — those who now establish there the firmest trade, will retain it for ever. Destitute of the moral energy necessary for reaching a higher degree of culture, for establishing regular and solid governments, those countries will increasingly perceive the necessity of assistance from abroad, in the way of immigration. The English and French are hated for their arrogance, by people jealous of their national independence; the Germans are loved there from the opposite feeling. The States of the Customs-Union ought therefore to give due attention to that part of the world.

A good system of German consular and diplomatic agents in mutual correspondence should be organized there. Young naturalists ought to be encouraged to traverse those countries, and help to make them known by impartial reports: young tradesmen to explore them; young physicians to give the benefit of their skill and influence. Companies should be organized, specially and adequately sustained and protected, which should establish themselves in maritime places, purchase large tracts of land in those regions, and prepare them for colonization by Germans. Associations for commerce and navigation ought to be formed with the view of opening new markets to the products of German manufactories, and of organizing new lines of steamers; mining companies should avail themselves of German skill and labor in working mines and developing mineral wealth. The associated States ought in every way to conciliate the good-will of the people, and especially of governments, and to employ it efficiently in promotion of the general security, the improvement of ways of communication and public order. They ought, even if this were a mode of securing the favor of those governments, to assist them by sending, when needful, auxiliary troops.

The same policy ought to be pursued with regard to the East, to European Turkey, and to the countries of the Lower Danube. Germany has an immense interest in seeing public security and good order prevail in those countries; the emigration which would take that direction would be the easiest for individuals,

and the most advantageous for the mother country. With
times less money and time than it requires to reach Lake
an inhabitant of the Upper Danube can be transported
Moldavia, Wallachia, Servia, or to the south-west coast of
Black Sea. What attracts him in preference to the U
States, is the high degree of liberty, security, and tranqui
he enjoys there. But, in the present state of Turkey, it w
not be impossible for the German States, together with Aus
to accomplish, in the social condition of that country, such
provements as would put an end to the repugnance of Ger
colonists, especially if the German governments would orga
companies for colonisation, would participate in them, and
them a steady support.

It is obvious that such colonies would be advantageou
the industry of the associated German States, only so far as
exchange of their manufactures for the agricultural prod
of the colonists would meet no obstacle, and would be sufficie
facilitated by economical and rapid modes of transportation.
is, therefore, for the best interests of the associated States,
Austria should facilitate as much as possible the transit trad
the Danube, that steam navigation upon that river should bec
active, and that for this purpose it should be in the begin
vigorously supported by the governments.

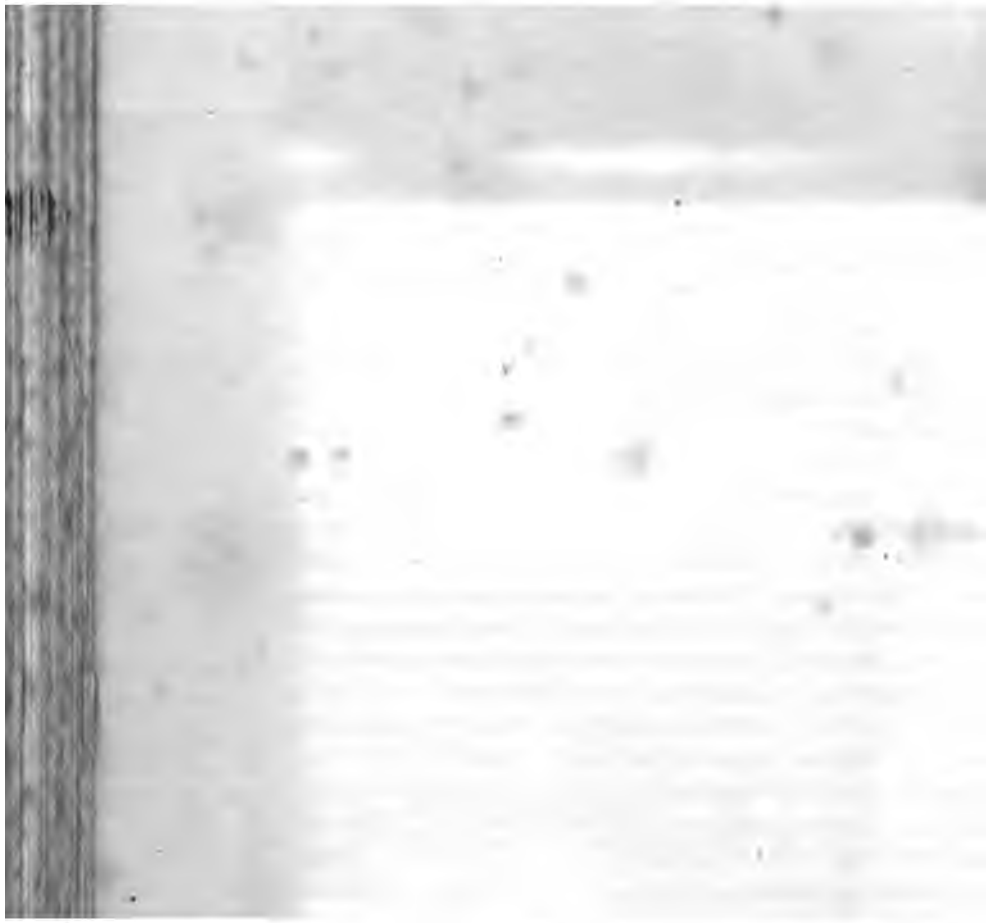
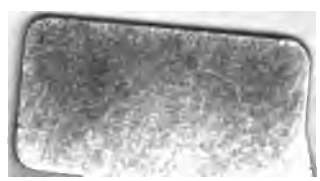
But nothing would be more desirable, than to see
Customs-Union and Austria making mutual concessions to t
respective manufactures; and this may occur when the associa
States have more nearly approximated Austrian industry.

After the conclusion of a treaty on this basis, Austria wo
have with the States of the Customs-Union a common inte
in making what advantage they can out of the trade with Turk
provinces, for the benefit of their manufactures, and their
ternal commerce.

In the expectation that the Hanseatic cities and Holland,
accede to the Customs-Union, it would be desirable that Prus
taking the initiative, should cover the German trade with a f
and lay the foundation of a German fleet, and occupy her

also with plans for German colonies in Austria, in New Zealand, or in some other islands of the new continent.

The means of meeting the expenditure incurred in these attempts, and the public appropriation recommended by us, should be taken from the same sources whence England and France derive their ability to aid their foreign trade and their colonies, and to maintain powerful fleets; that is, from the proceeds of duties upon tropical commodities. In order to insure unity, order, and energy in these revenue operations, the States of the Customs-Union might confide to Prussia their direction as to the North and the transatlantic trade; and to Bavaria as to the Danube and the relations with the East. An additional import duty of ten per cent. upon manufactured goods, and upon colonial goods, would yield several millions of francs yearly, as the continued increase of the exports of our manufactured goods must have the effect of doubling, or even of tripling in the course of time, the consumption of tropical commodities, in the States of the Customs-Union; the receipts from customs must also increase in the same proportion. The associated States might thus suitably provide for the joint expenditure, if they should decide that independently of the ten per cent. of additional duty, a portion of the further increase of the revenue from customs should be put at the disposition of the Prussian government, to be appropriated to the use just mentioned.

As to the establishment of a national system of routes for travel and transportation, and particularly, of rail-roads, we refer to a special work we have recently published on that subject. These grand improvements defray their own expenses, and all that is to be claimed from government in their behalf, may be reduced to a single word, "Energy."

THE END.